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GOP United For Victory: Bricker

In a letter addressed to the Editor of the "Chronicle" under date of July 5, Gov. John W. Bricker of Ohio, Vice-Presidential candidate on the Republican ticket, wrote as follows:

John W. Bricker

"The Republican party, as the result of the convention in Chicago, is completely united and Republicans everywhere are determined that the ticket selected there can and will defeat the New Deal this Fall. I am very happy to have been selected as the running mate of Governor Dewey. He has proven to be an outstanding Governor of the State of New York and he will lead in a fighting, aggressive and constructive campaign.

"There are many important issues confronting the people of America this Fall. Governor Dewey and I, during the months that are ahead, will carry the campaign to the far corners of this country."

IN THIS ISSUE

Special material and items of interest with reference to dealer activities in the States of Illinois and Wisconsin included in this issue. Illinois on page 178; Wisconsin page 180.

Pension, Bonus And Profit Sharing Plans And The Revenue Laws

By VICTOR R. WOLDER

Attorney and Counsellor-at-Law, New York City

Author Points Out How A Concern May Or May Not Benefit Taxwise Under The Various Plans, As Well As Conditions Which Should Determine Kind Of Plan To Be Adopted—Pension Payments, Bonuses And The Like, Which Conform To Internal Revenue Code, Permitted Under Wage Stabilization Laws

1.—Various types of plans a company may adopt.

Progressive companies today as in the past have and are installing various types of plans covering pensions, bonuses, profit sharing, retirement, death benefits and the like. Some systems provide just for one of these features. Others provide for several or all of the characteristics named. As to just what type of plan or system should be installed by a company depends upon the particular tastes of the company's management and what end results the management desires to achieve and at what cost to the company. It will not be possible in this memorandum to set forth at length every type of plan conceivable, or to make an analysis regarding the application of the plan to every company or to go into all phases of law applicable to the subject. This memorandum however, will be sufficiently exhaustively complete in order to advise the client and for the client

Victor R. Wolder

(Continued on page 180)

Problems Of Monetary Conference Multiply

By HERBERT M. BRATTER

Special Correspondent of "The Commercial and Financial Chronicle"

Conference Formally Organizes Into Three Sections; One Covering The Monetary Fund; A Second Covering The International Bank; And A Third To Deal With Miscellaneous Matters—Status Of Gold Debated—Agitation For Silver Recognition Becomes More Pronounced —Blocked Sterling Balances Under Consideration

BRETTON WOODS, N. H., July 12—Under the plan of organization and methods of procedure adopted by the International Monetary and Financial Conference, the preparatory work is divided among three separate 'commissions.' There is also a general steering committee.

Herbert M. Bratter

Commission I is to handle the problems of the International Monetary Fund. It is headed by Harry D. White, of the American delegation, with L. Stinebower as secretary. Commission I is composed of four committees, viz: (1) Purposes, Policies and Quotas; (2) Operations; (3) Organization and Management; (4) Form and Status.

Commission II, headed by Lord

(Continued on page 186)

Social Security In The Post-War Period

By LOUIS S. HOUGH

Assistant Professor of Economics, Miami University, Oxford, Ohio

It is becoming increasingly evident that the social security program will be rewritten in a thoroughgoing manner as soon as military security is assured, perhaps even before the capitulation of Tokyo. Congress has heard and recorded the new Wagner-Murray-Dingell Bill (S. 1161, 78th Cong., 1st Sess.) introduced in identical terms in both houses June 3, 1943. It is not at all likely that this bill will be passed, although it has been endorsed by the AFL, the CIO, and the Federal Security Administration. The expressed purpose of its sponsors is to stimulate discussion and study. With the cessation of active campaigning in Europe some kind of decisive legislation can be expected.[1]

Louis S. Hough

In Canada and in England the concentration of attention on the major problem of defeating the Axis has not precluded social security revision. The Canadian Parliament is now considering a 10-year housing construction program which represents an increase of $1,800,000,000 in the Canadian version of the cradle-to-grave Beveridge plan. A large part of the support for this measure comes from Canadian industrialists and labor leaders who believe

[1] Edwin E. Witte, "American Post-War Social Security Proposals," American Economic Review, December, 1943, p. 825.

(Continued on page 177)

Blocked Sterling Balances

Lord Keynes Denies Great Britain Will Seek Assistance From Fund To Meet Indebtedness—India Argues For Use Of Fund To Convert Her Large Sterling Balances Blocked In England—U. S. Opposes Burdening Fund With The Problem

The question of the liquidation of the large indebtedness of Great Britain to her allies and associates in the British Commonwealth of Nations has come up for consideration at a meeting of Commission I of the International Monetary and Financial Conference at Bretton Woods, N. H. It was brought up for consideration by India's delegates, who have a large stake in the solution of the problem. Lord Keynes, on behalf of the British Delegation made a statement on the British attitude in which he asserted that he would not inject the consideration of the problem into the deliberations. This brought a statement from Mr. A. D. Shroff, member of the Indian delegation, urging that the Fund be used to alleviate the difficult situation of his country due to inability to collect its sterling balances by creating a machinery for its transfer. The United States delegation has taken a firm stand that the problem should be settled by the countries concerned, and should not be made a "burden" to the Fund.


Lord Keynes

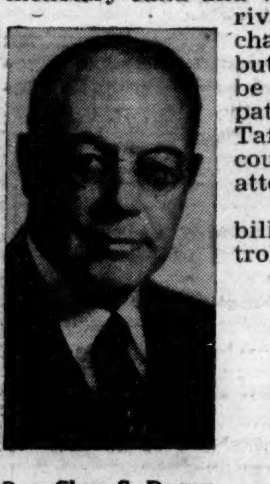
In discussing Britain's position in relation to the problem, Lord Keynes said:

"Since the United Kingdom is the only country here represented which has incurred large-scale war debts to her Allies and Associates also here present, these alternative amendments must be assumed, as Mr. Shroff had indeed made clear, to relate primarily to her.

(Continued on page 188)

Seen And Heard At Bretton Woods Monetary Conference

BRETTON WOODS, N. H., July 12.—In an exclusive interview with your correspondent, Congressman Charles S. Dewey, Illinois Republican, said: "It has been said that my position regarding the monetary fund and world bank proposals has changed since my arrival here. That is not correct. I see many changes made in the two plans that are beneficial, but their fundamental theory is still believed to be impossible at present time. I am much in sympathy with the position just expressed by Senator Taft's press statement. I think the key to this country's approach to stabilization deserves closest attention and study."


Rep. Chas. S. Dewey

Congressman Dewey, author of a plan for half billion Reconstruction Bank under American control, earlier expressed himself as follows:

"There is a definite fear among House Republicans that Bretton Woods delegations may have impression House endorses plans now under consideration. With 20 Republican Congressman not isolationists, who are critical of this United Nations plan, I signed a statement last month recognizing America's moral and practical responsibility to help world reconstruction. I'd like to know what American labor, industry, and Congress would say if demand for post-war dollars tends to force exchange value up and we should be asked to lower tariffs or revalue the dollar. Also, in any international fund, shouldn't countries with re-

(Continued on page 196)

Henry Gully With Van Alstyne, Noel Co.

Henry Gully, for the last 24 years a well-known research specialist in Wall Street, present Chairman of the Analysts Club of New York and an active member of the New York Society of Security Analysts, has become associated with Van Alstyne, Noel & Co., 52 Wall St., New York City, members of the New York Stock Exchange, as manager of the firm's Research and Stock Departments. Mr. Gully is a graduate of New York University School of Accounts and Finance, and for the last 11 years has specialized in the securities of growing companies. He was formerly with Shearson, Hammill & Co., Lehman Bros. and J. R. Williston & Co.


Henry Gully

K. A. Kerr Associated With Blyth & Co., Inc.

Blyth & Co., Inc., 14 Wall St., New York City, announce that Kenneth A. Kerr has become associated with them in their New York office. He was recently with Lehman Brothers. Mr. Kerr started his financial career in the Middle West, joining Halsey Stuart & Co. in 1923. In 1930 he moved East, and for about 14 years was in charge of distribution for Halsey Stuart in upstate New York, Canada, western Pennsylvania and West Virginia.

Optimistic Outlook

The outlook for Great Lakes Terminal Warehouse Co. appears optimistic, with a trend toward wider use of cold storage for all stored commodities and the advent of the fast growing frozen food industry, according to a memorandum on the situation issued by Collin, Norton & Co., 508-12 Madison Avenue, Toledo, Ohio, members of the New York and Cleveland Stock Exchanges and other exchanges. Copies of this interesting memorandum discussing the situation in some detail may be had by dealers upon request from Collin, Norton & Co.

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NOTE—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Post-War Employment

By FRANK D. GRAHAM
Professor of Economics, Princeton University

Holding That Full Employment Is An Institutional Problem, Dr. Graham Proposes A Monetary Authority With Powers To Issue Currency In Buying And Selling "Composite Units" Of Commodities To Eliminate "Frozen" Inventories And Increasing The Public's Supply Of Purchasing Power—Says Plan Would Stabilize National Economy At A High Production Level And Prevent Cyclical Depressions—Outlines A Scheme For A Federal Commodities Corporation

Post-war employment presents a duplex problem. The one aspect is the provision of jobs in the transition from war to peace. The other is the maintenance of full employment under "normal" conditions.


Frank D. Graham

The problem of turning swords into ploughshares is a retooling problem. We may, with some confidence, expect the advent of peace to be attended by a lively pent-up demand for many peacetime goods but, unless it should happen that the tempo of the war should slacken slowly and peace come gradually, we shall, in the production of those goods, be unequipped to employ more than a part of the workers that would be necessary to satisfy the markets.

Our problem here, a shortage of appropriate equipment, is a problem of material and of time. It cannot, therefore, be forthwith dispelled. It involyves not only employment but rationing—to prevent an inflationary rise in prices. It is, however, essentially a passing problem and the burden of it can be much alleviated by good governmental administration requiring temporary intervention, on an extensive scale, in the choices of the public. The pro-

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"The 5% Rule Is, In Law And In Fact, A Rule"

Frank J. Maguire, Attorney For S. C. Parker & Co. Of Buffalo, N. Y. Submits Brief To SEC Holding That NASD's Distinction Between "Interpretation" And "Rule" Is An "Obvious Attempt At Circumvention"—Maintains That "A Fixed Spread Can Drive Out The Very Men Who Are Improving The Reputation And The Standing Of The Over-Counter Business"

Frank J. Maguire of Albrecht, Maguire & Mills, Attorneys, Buffalo, N. Y. has filed a brief on behalf of the investment banking firm of S. C. Parker & Co., of Buffalo, N. Y., in the petition now pending before the Securities and Exchange Commission for an order nullifying and revoking the 5% rule of the NASD. The arguments and contentions contained therein follow in full:


Frank J. Maguire

The Issues

The petition hereinbefore referred to raised a number of issues having to do both with the subject matter of the so-called rule, and with the manner of its adoption. Several of the issues so raised are not treated in this brief for the reason that they do not seem to fall within the narrow limits set by the Securities and Exchange Commission on the scope of the hearing of June 13, 1944. The Commission, in its order of June 1, 1944, ordered that the hearing be held on the question,—"whether the aforesaid letters of Oct. 25 and Nov. 9, 1943 constitute a rule or rules and, if so, whether the Commission should

(Continued on page 190)

On Winning The Four Freedoms

By NORMAN THOMAS *
Socialist Candidate for President

Last week, over another network, I asked some questions of Candidate Dewey on the grave problems of the hour. This week I am questioning Candidate Roosevelt. To be sure, he is not yet nominated, but so completely does he dominate the situation that, in the wholly unlikely event of his refusal of a nomination that he has compelled his party to offer him, his designee must run on Roosevelt's record.


Norman Thomas

Candidate Roosevelt is also President Roosevelt, one of the three men who now hold the fate of the world in their hands. It is a cause for deep satisfaction that American democracy is strong enough to permit an election at this time and to remind the world that the most powerful leader should be subordinate to the will of the people to whom he must render account.

Our President cannot be interrogated in Congress like the British Prime Minister in Parliament. The great tradition of the Lincoln-Douglas debate has unfortunately set no precedent in American politics. One is com-

*Text of speech delivered by Mr. Thomas over radio station WEAF and the National Broadcasting Company on July 7, 1944.

(Continued on page 195)

Carrying Water On Both Shoulders

NASD Directs Enforcement Of 5% Policy, At The Same Time Claiming The Interpretation Is Optional With District Business Conduct Committees

Readers will recall our having directed attention to the attitude of the National Association of Securities Dealers in the proceedings now pending before the Securities and Exchange Commission to determine whether the "5% philosophy" constitutes a rule, and if so, what the Commission will do about it.

During the course of the hearing on June 13, 1944, three opponents of the instant conduct of the NASD argued in opposition, but despite this, no oral argument was made in behalf of the Association's position — in fact no oral argument was presented by anyone to support the existing 5% yardstick.

Clearly the Association was within its rights if it chose not to make any presentation and stopped there. However, at the close of the hearing, counsel for the NASD applied for leave, not to file a brief, but to file a replying brief. In other words, the NASD wanted to get the last word in after the whole case was disclosed to it. This position being opposed by the lawyers for the Securities Dealers Com-

(Continued on page 196)

NSTA Advertising Notes

It is most gratifying to your National Advertising Committee to inform members of the National Security Traders Association that we have over $1,800 in advertising for our special supplement to appear in issue of "The Chronicle" following our meeting in Chicago, Aug. 25 and 26.

The National Committee is composed of the following representing affiliates:

Don E. Summerell, O'Melveny, Wagenseller & Durst Inc., Los Angeles, Calif.; Kermit B. Sorum, Allison, Williams Co., Minneapolis, Minn.; Joseph H. Weil, Weil & Arnold, New Orleans, La.; Ralph C. Carr, Ralph C. Carr & Co., Boston, Mass.; Phillip J. Clark, Amos C. Sudler & Co., Denver, Col.; Wm. M. MacRury, Paine, Webber, Jackson & Curtis, Milwaukee, Wis.; Jos. C. Phillips, Drumheller, Ehrlichman Co., Seattle, Ore.; Ray P. Bernardi, Cray, McFawn & Co., Detroit, Mich.; Ernest E. Blum, Brush, Slocumb & Co., San Francisco, Calif.

And the above committee is being enlarged.

Please contact your local members and give them your assistance. Last year we grossed over $6,400. Can we double this now?

K. I. M.

Harold B. Smith, Chairman, NSTA Advertising Committee, Collin, Norton & Co., N. Y.; Alfred W. Tryder, Vice-Chairman, NSTA Advertising Committee, H. T. Greenwood & Co., Philadelphia, Pennsylvania.

Giss With Barcus, Kindred

(Special to The Financial Chronicle)

CHICAGO, ILL.—Vernon J. Giss has joined the staff of Barcus, Kindred & Co., 231 South La Salle Street. Mr. Giss was formerly with the First National Bank of Chicago.

Brandfass, Ehrhardt With First Cleveland

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Ray F. Brandfass and Edwin F. Ehrhardt have become associated with the First Cleveland Corporation, National City Bank Building. Mr. Brandfass was formerly a partner in H. K. Hastings & Co. of Wheeling, W. Va., with which he had been associated for a number of years. Mr. Ehrhardt was Cashier of Otis & Co. for more than 20 years, and recently has been with Merrill Lynch, Pierce, Fenner & Beane.

Edward Rawls Joins Kidder, Peabody Co.

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, investment bankers, announce that Edward H. Rawls has become associated with the firm's underwriting department. Mr. Rawls had been a Vice-President of the Guaranty Trust Co. since 1929. Prior to that he had been with the National Bank of Commerce since January, 1917, and was a Vice-President of that bank at the time it was merged with the Guaranty organization in 1929.

Heads Trust Committee

Arthur S. Kleeman, President, Colonial Trust Co., announced the

Charles D. Deyo

appointment of Charles D. Deyo, Vice-President, as Chairman of the Trust Committee of the bank.

Miles A. Sharkey With Stern, Frank & Meyer

LOS ANGELES, CALIF.—Miles A. Sharkey has become associated with Stern, Frank & Meyer, 325 West Eighth Street, members of the Los Angeles and New York Stock Exchanges. Mr. Sharkey was formerly an officer of O'Melveny-Wagenseller & Durst, in charge of the trading department.

Willard To Head Slate Of NY Group of IBA

It is reported that Frank A. Willard of Reynolds & Co. will be slated as chairman of the New York Group of the Investment Bankers Association at the annual meeting of the nominating committee to be held July 17. Mr. Willard, now Vice-Chairman of the Group, will succeed F. Kenneth Stevenson, who has called a meeting of the executive committee to pick a slate for the ensuing year. The slate will be placed before the membership for vote in the fall.

Members of the nominating committee are: Frank Stanton, First Boston Corp., Chairman; John Maxwell, Tucker, Anthony & Co., and W. Manning Barr, Barr Bros. & Co., Inc.

Post-War Municipal Finance In The National Economy

By WALTER W. HELLER *
Assistant to Director of Tax Research, U. S. Treasury Dept.

Treasury Official Points To Need Of Post-War Co-ordination Of Federal, State And Local Revenues—Finds There Are Overlapping Taxes, Insufficient Regard By One Government For The Taxes Of Others, And A Poor Correlation Of Tax Resources With Government Responsibilities—Urges Setting Up A Joint Federal-State-Local Fiscal Agency

The problem of post-war municipal finance might be discussed in any one of a number of settings. For example, it might be examined in relation to the general level of local services or of a specific service like schooling or fire protection. Or it could be discussed in terms of over-all city planning and urban redevelopment. Or one might explore municipal finance in terms of its mainstay, the property tax.

Walter W. Heller

But the American Planning and Civic Association — recognizing how tightly the local economy is interwoven with the national economy and how important it is to coordinate local, State, and Federal taxes and fiscal policies —has asked for a discussion of post-war municipal finance in the broad setting of the national economy. And this, it seems clear, is a realistic setting. For the municipalities cannot "live alone and like it." They draw on the entire national economy for their support, and their responsibilities go far beyond their own borders. Healthy municipal finance demands a healthy national economy. Efficient municipal finance demands co-ordination of local, State, and Federal fiscal systems. And, in turn, a sound national economy demands the harmonizing of municipal, State, and Federal finance.

The moment we probe into any one of the fields of taxation, public borrowing, and government expenditure, it becomes evident that the fiscal systems of our three levels of government lack harmony and are badly in need of co-ordination.

Conflicting Taxation

Probably the most obvious uncoordination that exists is in the field of taxes. Here we find over-

(Continued on page 192)

*An address made by Mr. Heller before the American Planning and Civic Association Conference, St. Louis, Mo., June 15, 1944. The views expressed are the author's own and not necessarily those of the Treasury Department.

Bruce Seddon Now With Newhard, Cook & Co.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Bruce Seddon has become associated with Newhard, Cook & Co., 4th and Olive Streets, members of the New York and St. Louis Stock Exchanges. Mr. Seddon, a member of the St. Louis Exchange, was formerly President of Seddon, Morfit & Harvey, Inc.

C. W. Wright Joins Staff Of Investors Syndicate

(Special to The Financial Chronicle)

SPRINGFIELD, ILL. — Clifford W. Wright has joined the staff of Investors Syndicate, Roanoke Building, Minneapolis, Minn. Mr. Wright was formerly with Ryan Nichols & Co. and Lowell Niebuhr & Co. and in the past conducted his own investment business in Springfield.

Nat'l City Bank Holds Time Is Not Ripe For Monetary Stabilization

Sees Need For Taking One Step At A Time In Making New Adjustments And For Settling Pressing Specific Problems First In A More Simple Manner

In the July issue of the "Monthly Bank Letter" of the National City Bank of New York, the view is expressed that the convening of the United Nations Monetary and Financial Conference at Bretton Woods, N. H., to formulate a general plan of international monetary stabilization is premature. In view of the diversity of views, moreover, and the requirement that any measures adopted by the conference must be approved by the individual governments of the participant nations, there is not likely to be much accomplished toward setting up a permanent and satisfactory organization.

"All this points strongly to the conclusion," stated the Letter, "that the time is not ripe for the setting up of elaborate and detailed mechanisms in this area. There is not yet sufficient real agreement on principles — the statement of the experts to the contrary notwithstanding — and the uncertainties are too great. The plan says that it is not intended to cover the needs of the transition period at the close of the war, but looks to the period beyond when more normal exchange relations will have been reestablished. But no one knows how long that will take, or what the conditions will be. Naturally, England and other countries hesitate to make commitments for that far ahead and in the face of so much that is unknown. When their commitments have been safeguarded to the extent they think necessary, almost nothing remains but our commitment to put up the money."

"In the meantime," continues the article, "there are a number of much more immediate problems in the monetary field as, for example, how to take care of the relief situation in enemy and occupied countries. Then there is the question of the next step beyond relief—how to provide capital for the rebuilding of wartorn industries. Should we use the Export-Import Bank, and, if so, how should its powers be extended? Questions such as these carry much more into the field of the proposed United Nations Bank than into that of a stabilization fund.

(Continued on page 195)

Distributors Group Sponsors New Trust—Railroad Stock Shares

Distributors Group, Incorporated, 63 Wall Street, New York City, is offering a new class of Group Securities, Inc., known as Railroad Stock Shares, with an initial authorized capitalization of 1,000,000 shares. Formal announcement of the stock designed to provide a diversified, constantly supervised investment in selected railroad stocks, was delayed by the sponsors pending completion of the Fifth War Loan drive.

Reminding investment dealers of their recommendations on railroad bonds three years ago, Distributors Group draws a parallel between the bond position then and the stock position today. As to the latter, they state "the recovery of their investment status is proceeding rapidly," and "intrinsically, selected common stocks of our leading railroads are substantially undervalued." Stocks presently selected for investment by Railroad Stock Shares consist of the common and preferred issues of 22 leading railroad companies.

Railroad Stock Shares increases to 22 the number of classes of Group Securities, Inc., a mutual fund with aggregate assets in excess of $30,000,000 and representing the combined investments of more than 13,500 shareholders.

Interesting Situations

Merchants Distilling Corporation and Standard Silica Corporation offer interesting situations according to analyses prepared by Faroll & Company, 208 South La Salle Street, Chicago, members of the New York Stock Exchange. Copies of these analyses may be had from Faroll & Company upon request.

Real Estate Securities

By JOHN WEST

Court & Remsen Building Earnings Prospects Bright An Example Of Looking Ahead Instead Of At Past Figures

The 28-story office building known as Court & Remsen Building is well located in the important business district of Brooklyn, N. Y. and provides space for financial, insurance, law, real estate and miscellaneous business firms, one important tenant being the Travelers Insurance Company. The section is the center of the business and commercial activities of the borough.

The property was reorganized in 1937, the original mortgage being $3,500,000 reduced at this time to $2,835,300 through serial maturities prior to reorganization and by operations of the sinking fund since. Fixed interest of 3¼% per annum has been paid since reorganization. Part of the reorganization plan provided for a deposit with the trustee of $32,500 cash to be maintained and to insure continuity of fixed interest. As of April 30, 1944, the amount held by the trustee in this account is $36,416.01, there having been an increment in the fund through interest earned on investment of the funds in Government securities.

As will often happen, occupancy of a property will vary and certain periods with a low occupancy ratio may show a very narrow coverage of interest requirements. An annual statement, even carefully analyzed, may be misleading and give a wrong impression to any one considering the purchase of securities. A very concrete example is the annual statement of the Court & Remsen property which shows that interest requirements were not quite covered. A little investigation, however, discloses the following facts.

The property was operated through the major portion of the fiscal year ended 4-30-44 with an occupancy ratio of 65%, the last few months' occupancy was increased to about 90%, the average for the fiscal year being about 75%.

However, as of the May 1, 1944, renting season, which was also the beginning of a new fiscal period, leases in effect on a 90% occupancy basis showed an annual rent roll of approximately $315,000, excluding vacant space which is being offered at $30,000. We are advised that the current fiscal year operating expenses as budgeted will be comparable to the $126,000 expenditure in the past year. Without giving any effect to additional revenue that may be obtained from any leases for the present vacant space earnings should be sufficient to cover the fixed interest and to provide about $37,000 for sinking fund operations which would be the equivalent of 4½% on the outstanding bonds.

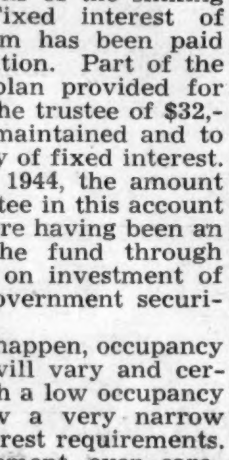
At current levels the first mortgage fixed interest fee bonds secured by this property offer a yield slightly better than 8% and, in our opinion, can easily attain a higher market level.

Price Control Continued One Year

Price and wage controls are renewed for another year in the Stabilization Extension Act of 1944, which extends to June 30, 1945 the Emergency Price Control Act of 1942 and the Stabilization Act of 1942 with some modifications in the present pricing, regulatory and enforcement procedures.

A Compromise Bill

The bill in final form was a compromise price control extension program based on separate Senate and House bills carrying a number of amendments, most of which were eliminated in committee conference. It was signed by President Roosevelt on June 30, disregarding labor's appeal for a veto.



L. H. Bradshaw
Editor
"Investment Timing"

While as finally passed it is better than either of the bills that the Senate and House sent to conference, it is in some respects weaker than the 1942 act which it replaces. It is not expected to result in any material rise in the general level of prices, but it may complicate OPA's enforcement and legal problems.

Chief Changes

Cotton Textiles—The most controversial amendment was one submitted by Senator Bankhead which in its original form would have written into the law a rigid pricing formula for all cotton goods items, and a requirement that the ceilings guarantee manufacturing costs plus a profit to mills. The latter was eliminated, and the former modified considerably to a provision that the OPA adjust ceilings on "major"

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Henry F. Cassidy Is With Fairman & Co.

LOS ANGELES, CALIF.—Henry F. Cassidy has become associated with Fairman & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Cassidy was formerly with R. D. Bayly & Co., and prior thereto was an officer of C. H. Hatch & Co. and R. C. Wade & Co.

Taft Doubts Congress Will Pass Monetary Stabilization Plan

Senator Robert A. Taft on July 11 predicted that approval by neither Senate or House would be made for any agreement for an international monetary fund drafted on the terms of the original joint statement of experts, sent out by Secretary Morgenthau to the representatives of the other United Nations at the Bretton Woods conference, it was reporsed in a special despatch to the "New York Times" from Washington, on July 11, which also said:

Robert A. Taft

The Senator said in a statement that although he believed Congress would adopt a pact providing for continuous consultations with other countries and would authorize the Secretary to use the stabilization fund as he has in the past to stabilize foreign exchange, it would not endorse any plan based on the terms of the original statement.

In his statement, Senator Taft said:

"I have been asked by many correspondents and press representatives what the terms of the agreements now being negotiated at Bretton Woods are to be, and whether they have been or will be approved by Congress. I can't answer the first of these questions because of the secrecy which surrounds the Bretton Woods conference, but I can say that in my opinion no agreement for an international monetary fund on the terms of the original joint statement of experts will be approved either by the Senate or the House of Representatives.

"This plan was sent out by the Secretary of the Treasury to the representatives of the other United Nations and they may naturally assume that it has the approval of the Government of the United States. It is most important that they realize that this is not the fact and that Congress is more likely to disapprove the plan of the Secretary of the Treasury than approve it.

"Of course everyone recognizes the desirability of stabilizing international exchange. All desire that the United States cooperate with the other nations to that end, and form a permanent consulting body to study the problems which arise, and recommend national action. But very few approve the plan for a huge International Monetary Fund or the plan for a United Nations Bank. Nearly every American expert outside of the Treasury has criticized these plans.

"I believe personally that the United States should make, or join in making, direct loans to foreign nations for reconstruction during the emergency period. The Republican platform favors 'assistance by direct credits in reasonable amounts to liberated countries to enable them to buy from this country the goods necessary to revive their economic systems.'

"The proper course would seem to be to reach some agreement with the British regarding the relation of the dollar and the pound and then take up the other countries, one by one, and attempt to assist them by direct credits, if necessary, until their foreign exchange can be stabilized without loss.

"The proposed fund is not large enough to deal with the post-war emergency situation and no such fund could be large enough. It is much larger than necessary to eliminate minor fluctuations after normal production is resumed and countries are again on a sound financial basis. To set up an international exchange fund now is to put the cart before the horse.

"More important from the American standpoint, however, is the substantial fact that nearly all the real assets in the fund will come from this country. They will be dispensed by a board, the control of which is held by countries whose currencies are much weaker than ours. It will not be long before all of our assets are gone and the fund is entirely made up of weaker worthless currencies.

"The whole of the elaborate machinery seems to be designed to cover up the fact that our money is, in effect, to be loaned away by a board, in which we have only a minority interest. The same thing is true of the United Nations Bank, and the total cost to this country of the two plans is likely to be more than six billion dollars, with no assurance of success, and little chance that we will ever recover any part of our contribution.

"I do not think Congress will approve any plan which (1) places American money in a fund to be dispensed by an international board in which we have only a minority voice; or (2) requires our Government to regulate, restrict and regiment transactions in foreign exchange in this country and impose complete Government control of all international transfer of funds; or (3) places power in some representative of the President, without approval of Congress, to change the gold value of the dollar."

Wage Rate Rise Asked By Frankensteen

Richard T. Frankensteen, CIO automobile and aircraft unions leader, on July 11 called for "increased wage rates to support purchasing power which will otherwise decline sharply as overtime is reduced" and said that he foresaw a prospect that munitions employment might drop by 3,000,000 by the year-end. This was indicated in Associated Press dispatches from Washington on July 11 in the New York "Sun," which added:

"It is imperative from the standpoint of continued war output," he told a Senate military sub-committee, "to reassure workers regarding their future jobs."

Mr. Frankensteen said "the continuing dispute" within the War Production Board and among other government agencies regarding resumption of civilian production "is preventing the development of any scheduled resumption of any non-military production which would take the place of war output."

The CIO leader criticized the War Department for what he said was its claim that war production would be hindered by a limited return to civilian production, and said "the armed services' cries of 'Wolf! Wolf!' in this respect have in the past so often been found to be exaggerated."

With First Securities Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Frank K. Fetters has become associated with First Securities Company of Chicago, 105 South La Salle Street, members of the Chicago Stock Exchange. Mr. Fetters has been with the Government since 1935.

Metallic Money Or Managed Currency?

Rene Leon Condemns Managed Currency As "A Continuous Process Which No Price System Can Withstand" —Urges The Pricing And The Protection Of The Precious Metals And Of The Exchanges By International Agreement, And Holds That Managed Currencies Foster International Economic Retaliation And Strife

"There is a tendency," says Rene Leon in a booklet just released, "to compromise with soundness by stressing the temporary character of monetary proposals designed to bridge over the difficult times to be traversed in the direction of final objectives. But if we surrender a little here and a little there, we may well find ourselves engaged far along a road become too difficult to retrace. Therefore, however slow our pace, it is imperative that we never deviate from sound principles.

"The time will come, sooner perhaps than many realize, when the flood of paper and alloys, issued in many parts of the world and misnamed money, will have lost all value. We then, no doubt, shall witness all over again an attempt on the part of the proponents of managed currency to foist their system on the unwilling masses. But if hindsight is an aid to foresight; if bitter experience is to yield us profit; if human needs are to find satisfaction in the days to come, we shall have none of it.

"We have heard the argument that hard money is a relic of barbarism; but those who advocate return to the use of precious metals are not indulging in fetishism —they merely have a genuine appreciation of the utility of gold and silver. They know that currency management has failed as often as it has been tried because of the obvious limitations of the currency managers, who, as human beings, share those frailties common to us all. But were they supermen, they could neither delegate nor bequeath their omniscience.

"In the archives and museums we find beautiful samples of the engraver's art in the form of worthless Mark, Ruble and Lira notes, Assignats, "Shinplasters" and what not, all executed on the orders of onetime currency managers. There also are to be found ancient coins, Ducats and Sequins, Pistoles, Doubloons and Pieces of Eight, each with its historical interest. But as to the material difference between them all, the scales have the answer which all can see and understand. Man needs no explanation as to the character and usefulness of gold and silver, which is why his attachment to them endures. Whereas paper, by law, may be endowed with value within a given area, the moment it crosses the boundary that value is put in question. Valid here, worthless there, paper cannot fulfill the role of "Monnaie Courante" which the world of tomorrow will demand. But **weight and fineness are universal**, whether in coin, specie or bar, and **an ounce of metal still weighs 480 grains on either side of any frontier.**

As distinct from regulation, management is a continuous process which no money nor price system can withstand; nor can trade flourish if it is continuously called upon to readjust to the needs of money management — for money is ancillary to trade and not the other way around. The metallic money system is eminently suited to regulation which requires but common sense in its application. What is chiefly needed to give it stability is the successful harmonizing of the interest of the individual with that of the community, because, as matters now stand, those interests are in conflict.

"As we all know, money has three functions: It is the measure of value, it is the medium of exchange and it is also a store of value. In the first two particulars, money is admittedly affected with a public interest; but as a store of value it is apt to be treated as concerning the individual rather than the community. Thus, if individuals are permitted at will to store great quantities of money and, in this manner, rarefy those stocks which, because they constitute the basis of the price structure, are indispensable to the community, they become a menace to all its members. For although expressed in terms of the unit, money measures prices by its quantity — not by its unit. Hence, whosoever seriously alters the volume of money at once injects

(Continued on page 194)

Railroad Securities

The quiet that has pervaded the new issue markets during the past few weeks is scheduled to be broken with a bang with termination of the Fifth War Loan Drive. While there have been no new offerings during the period of the drive the banking community has not been idle, and preparations for a large volume of refunding have been approaching the final stages. Indicative of the complete change there has been in investment sentiment in the past few months the rails for a change are also going to participate to an important degree in the contemplated refundings.

A number of terminal issues are on the fire, but by and large such obligations were held in high regard even during the time of most abject pessimism towards the railroad industry as a whole so that their refunding is no cause for surprise. The effect of the change in attitude is to be found in proposals for refunding by a number of railroads which prior to the war were not classified among the high credits in the industry.

Chief among the refundings now under active consideration are those of Louisville & Nashville, Great Northern and New York, Chicago & St. Louis. The first-named is expected to be the earliest, and should come along almost immediately. The road's long-term junior mortgage 3¾s are now selling at a substantial premium and the higher coupon series (4s, 4½s and 5s) are all callable at 105 on Oct. 1 on 60 days' notice. There are about $54,000,000 of the three higher coupon series outstanding and the refunding will presumably not contemplate any reduction. Rather, it is expected that debt reduction will be confined to the Unified Mortgage 3½s and 4s which are callable on 45 to 50 days' notice on Jan. 1. A substantial reduction in this mortgage is expected, with the balance placed on a fairly rapidly running-out serial basis.

The Great Northern refunding will apparently be scheduled for later in the year. This road's junior 3¾s have also advanced to a premium, which will facilitate the refunding operation, but unfortunately the high coupon series of this mortgage are not callable at this time. A refunding will be aimed largely at getting rid of the series G and series H convertible 4s, 1946. Both of these bonds are callable at 101 on nine weeks' notice on Jan. 1. As of the end of last year the aggregate amount outstanding was $53,524,700. In addition it is believed likely that the management will take advantage of this opportunity to eliminate the two underlying liens ($9,695,000 Eastern Railway of Minnesota 4s, 1948 and $35,668,000 Great Northern first and refunding 4¼s, 1961), both of which are callable at 105. The 4¼s are callable at any time on 90 days' notice but the Eastern Railway 4s can only be called on interest dates, April 1 and Oct. 1, on three months' notice. Elimination of the underlying liens will improve the position of the general mortgage, giving it a first lien on the entire properties, and should thus facilitate refunding at a low interest cost. The refunding will also likely call for a fairly substantial reduction in outstanding debt through use of treasury cash.

Apparently the Nickel Plate proposed refunding is not so far advanced as the others, and there is no information as to how broad the program may be. In some quarters it is claimed that it should be possible to refund the entire mortgage debt—first 4s, 1947; Toledo, St. Louis & Western 4s, 1950, and refunding 5½s, 1974 and 4½s, 1978—but even with some cash payment this would involve somewhat over $100,000,000, which appears a bit ambitious. Others believe it would be advisable merely to call the two underlying liens, leaving the two series of the junior mortgage for later consideration. A solution somewhere between the two extremes seems likely, with the underlying liens and refunding 5½s refunded and the 4½s left until later.

The last-named program would involve less than $48,000,000 face value of bonds of which perhaps $5,000,000 to $6,000,000 could be paid in cash. The first 3½s and refunding 5½s could both be called for Oct. 1, the former at 101 on 30 days' notice and the latter at 107½ on 60 days' notice. The Toledo, St. Louis & Western first 4s are callable on interest dates (also April 1 and Oct. 1) at par, but six months' notice must be given.

Walker With O'Rourke Co.

(Special to The Financial Chronicle)

CHICAGO, ILL.—Fred M. Walker has become associated with J. P. O'Rourke & Co., Board of Trade Building. Mr. Walker was formerly with the Tax Bond Company and prior thereto was special assessment trader for Goven, Eddins & Co.

Post-War Period & Rails

McLaughlin, Baird & Reuss, 1 Wall Street, New York City, members of the New York Stock Exchange, have prepared an interesting discussion of "The Post War Period and the Railroads." Copies of this discussion may be had from the firm upon request.

Public Utility Securities

Cities Service Making Rapid Integration Progress

Cities Service Company, which formerly carried its assets at over a billion dollars but has now marked them down to about $861 millions, is trying to get out of the utility business so that it will no longer be subject to SEC regulation under the Holding Company Act. Judging from available earnings figures it is an oil-natural gas system with utility "trimmings," and hence sale or distribution of its gas and electric retail properties will not change the basic set-up greatly.

In addition to Cities Service Power & Light and the retail operations of Arkansas Natural Gas, Cities Service controls a few small utilities, principally distributing natural gas, and several of the latter may perhaps be retained in the final set-up.

Cities Service Power & Light, the big sub-holding company, has made rapid progress toward meeting SEC requirements. Last year it sold an important subsidiary, Public Service of Colorado, and disposed of several smaller companies. It was recently announced that Empire District Electric will merge with several smaller affiliates, and the common stock (held by Cities Service P. & L.) will be sold simultaneously with a bond refunding. A substantial bank loan was obtained in April in order to pay off all bonds and preferred stock; this in turn will be paid off with proceeds of sales. Finally, the system will be reduced to two important Ohio companies, and the stock of the Power & Light Co. will probably either be sold by Cities Service Company or tendered to its own preferred stockholders as part of a program to clear up preferred stock arrears.

Cities Service Company had a good record in the old days—it paid preferred and common dividends during the period 1911-1932. Since that time the company has followed a program of retrenchment and debt reduction. While preferred dividends have been earned with a good margin in recent years, nothing has been paid except for a small amount on the first preferred in 1941. In 12 years the property account dropped from $1,143,000,000 to $666,000,000 despite expenditure of some $300,000,000 for construction and property acquisition. Bonds, notes and preferred stocks were reduced by some $251,000,000 while net current assets for the system increased $72,000,000. More rapid progress could have been made in recent years except for SEC rules which handicapped the company in acquiring its own securities at deflated values in the open market.

In 1943 Cities Service reported $4.06 (before reserve for contingencies, but after substantial allowance for depletion, etc.). On this basis the common stock is selling at little over four times earnings. However, allowance must be made for readjustments necessary to dispose of substantial arrears on preferred stocks, refund early bond maturities, etc. It is possible that the company will attempt an overall recapitalization since it would appear practicable to refund all its 5% bonds with a 3½-4% issue, particularly if secured by deposit of the oil-system stockholdings as collateral. The three preferred stocks, paying 6%, would also be refunded into a lower coupon rate, it is assumed, when arrears are taken care of. The SEC would, of course, have to approve such a program. By disposing of its Cities Service Power & Light holdings (to preferred stockholders or otherwise) its major utility interest would be divorced. There would be some remaining problems of disposing of the smaller utility interests but this should not prove too difficult. In this connection a recapitalization for Arkansas Natural Gas, a sub-holding company which is about three-quarters wholesale and one-quarter retail, may also prove necessary, as that company is over-capitalized.

Earnings would naturally be reduced somewhat by loss of the utility properties but on the other hand there would be some gains from the refunding program, and Federal taxes would absorb part of the change. Allowing for the net result, the stock is perhaps selling not far from 6 times adjusted earnings on an oil basis, it is estimated.

Post-War Outlook Good

Common stock of the Atlas Plywood Corporation offers an attractive equity with an exceptional post war outlook according to a study of the situation prepared by Boenning & Co., 1606 Walnut Street, Philadelphia, Pa., members of the Philadelphia Stock Exchange. Copies of this interesting analysis may be had from Boenning & Co. upon request.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BOSTON, MASS.—**Harold E. Winch** has joined the staff of **Trusteed Funds, Inc.**, 89 Broad St.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—**Robert T. Temple**, for many years with Hawley, Shepard & Co., has become associated with **Hornblower & Weeks**, Union Commerce Bldg.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Gordon E. Buckhout** has become affiliated with **Bankamerica Co.**, 650 South Spring St. Mr. Buckhout was formerly with Samuel B. Franklin & Co. and H. R. Baker & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Ramsdell S. Lasher** and **Philip B. Reagan** are now connected with **Hopkins, Harbach & Co.**, 609 South Grand Ave. Mr. Lasher previously was with Wyeth & Co. Mr. Reagan was with Bankamerica Co. and Searl-Merrick & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Helen M. Bryson, Edith G. Runyan** and **Lee W. Thompson** have poined the staff of **Wyeth & Co.**, 647 South Spring St.

(Special to The Financial Chronicle)

PORTLAND, ME.—**George R. Dale** is now associated with **Coburn & Middlebrook**, 465 Congress St. Mr. Dale was previously with F. L. Putnam & Co.

(Special to The Financial Chronicle)

RIVERSIDE, CALIF.—**Louise M. Brubaker** has been added to the staff of **Lester & Co.**, Citizens Bank Bldg.

(Special to The Financial Chronicle)

ST. LOUIS, MO.—**Fred H. R. Stockho** is now with **Slayton & Co., Inc.**, 111 North Fourth St.

(Special to The Financial Chronicle)

SAN FRANCISCO, CALIF.—**James H. Jones** is now with **Bankamerica Co.**, 300 Montgomery St.

Does Not Look For Post-War Increase In Price Of Gold

E. F. Hutton & Co.'s "Fortnightly Market And Business Survey" Discusses The Gold Situation After The War

In the July 6 issue of the "Fortnightly Market and Business Survey," issued by E. F. Hutton & Co., members of the New York Stock Exchange, there is an extended discussion and analysis of the post-war monetary situation with reference to the status of gold. After taking up such topics as "Gold Mining Securities as a Substitute for Gold," and discussing the advantages and disadvantages of gold as money and as an investment, the author considers the question of a probable change in the U. S. price of gold.

"The principal arguments of those contending that the U. S. price for gold will be raised," the article continues, "are:

"1. In free markets, gold has been selling for the equivalent of from $60 to $80 an ounce. Advocates contend that the free market prices represent the true market value of gold and that the U. S. price of $35 an ounce must be raised.

"2. Because of great expansion of bank deposits and bank notes in countries at war, a world-wide increase in the price of gold (in terms of the dollar, pound, franc, and other currencies) is necessary to obtain higher ratios of gold holdings to note and deposit liabilities.

"3. The huge Government debt created during the war can be serviced only if post-war prices are greatly in excess of pre-war prices, and a gold price increase is essential to support this higher price level."

Considering the gold-price situation with reference to the decline in the reserve position of the Federal Reserve Banks, the article states that the U. S. banking position is stronger than the statements indicate.

"The principal factors contributing to the deterioration of the banking system," it is pointed out, "have been (a) a sharp increase in money in circulation, (b) inflation of deposits due to Government deficit financing through the banking system, and (c) loss of gold reserves. A continuation of the trend of the past year could reduce the Federal Reserve ratio to a level considered low in the past, but there are offsetting factors that deserve consideration:

"(a) Reserve requirements of member banks in other than Central Reserve cities are double what they were prior to August, 1936, and in Central Reserve cities (New York and Chicago) 54% greater. Thus, there is hidden strength in the banking system. By reducing requirements to former levels, member bank reserves could sustain a much greater volume of deposit liabilities and/or the withdrawal of additional currency without assistance from Reserve banks. The overall condition of the Federal Reserve System is better revealed by the ratio of gold reserves to total note and deposit liabilities of Reserve banks and member banks combined. On Dec. 31, 1943 this ratio was 19.4% whereas at the close of 1926, a date arbitrarily picked as a time when the condition of

(Continued on page 194)

Tomorrow's Markets Walter Whyte Says—

Market inflation fears still dominate market. Leader strength dissipating. No immediate reaction while public is eager to buy.

By WALTER WHYTE

* * *

Last week's market has kept up the tempo started about three weeks or so ago. Up to this writing practically every stock on the Board has gone up; not only the leaders but the cats and dogs as well. All of which brings us back to the point of wondering how long before some kind of a reaction sets in.

* * *

Technically speaking, a minor reaction from current levels is out of the picture. Too many tyros are in the market for a small shake-out to be sufficient. The swing of the pendulum in one direction must be countered with an equal one in the other direction. But disregarding technical factors there is another facet to this market which must receive consideration.

* * *

Inflation, which this column discussed in a recent issue, is no longer an academic subject. Marketwise the fear of inflation has already taken hold. But so far it has not been recognized by the huge masses to whom the stock market means nothing. Last week we saw a sudden spurt in commodities. Not to expect this increase to be passed on to the consumer is naivete. Food is one item that is not deferable. Clothing can be bought and repaired and altered time and time again. Its purchase may even be deferred. But not food. It is true that certain price ceilings are in existence. But we also know how little they mean. Now, whether or not you favor inflation, is beside the point. The question here is how will the market, which is most sensitive to underlying trends, take it.

* * *

Offhand the answer seems obvious: the market will go up. But that is an oversimplification. First of all markets seldom discount the same thing twice. And the present move is largely based on inflation spread. But one thing the market can't forecast is public psychology. If the public thinks things are going higher and thinks so strongly enough, backing its judgment with cash, then things will go higher. No matter how imponderable technical factors may be they can't stand before a stampeding public.

* * *

I'll admit that right now the market doesn't show any urgent signs of a breakdown.

(Continued on page 197)

Social Security In The Post-War Period

(Continued from first page)

it will prevent or mitigate a post-war depression.

Health Insurance

The newly published cost estimates for the proposed Canadian national health scheme are still more challenging. About $150,000,000 annually is to be contributed by individuals, and an additional $100,000,000 by the Dominion Treasury. Single persons earning less than $660 per year must pay $12. Married persons earning less than $1,200 and supporting one dependent pay $24. For the next higher income categories the basic annual levy is $30 for single persons and $50 for married persons with one dependent. Disbursements will cover a limited supply of drugs and appliances, as well as all necessary medical, surgical, nursing, hospital, and dental services. The Dominion Treasury is to support the cost of this health service for children under 16, and for any adults unable to contribute. Government contribution is an almost universal feature of old age and other pensions abroad,[2] and there is a strong trend in this direction in the United States.

(The bill before our Congress, like the Canadian extension, provides for health insurance.) For some years the Social Security Board has included in its annual report a plea for a more complete program. Amendments suggested include pregnancy leave, maternity income, and financial assistance in case of accidents or illness at home. (Present workmen's compensation laws cover factory accidents.)

The health insurance in the Wagner-Murray-Dingell Bill is offered as an alternative to socialized medicine. In administration the medical care benefits are sharply distinguished from the cash benefits for temporary and permanent disability, the latter being combined with unemployment insurance. The medical benefits cover wives and children of workers and will pay for specialist services and hospitalization. Dental and nursing care may be added later. Physicians and hospitals are to contract with the government, and patients are given free choice of physician. Grants-in-aid are provided for medical education, research, and prevention of disease.

Other New Provisions

Another part of the bill contains complete and liberal provisions giving social security protection to discharged service personnel. Public employment offices are to be continued under the Federal government. (Unemployment insurance is to be standardized by federalization, and extended to cover temporary disability and maternity insurance.) Unemployment benefits are to be uniform throughout the United States, ranging from $5.00 to $30.00 per week for 26 weeks in any year, or longer if the Social Security Board has the finances. The weekly benefit in each case depends on the prior earnings and on the number of dependents. The latter determinant is a significant new development in America.

The authors of the bill have accepted those recommendations of the National Resources Planning Board which suggest old age and survivors coverage for all except government employees.[3] State and local employees may come in by voluntary action of their governments. The maximum old age and survivors benefit has been increased, and the minimum is to be $20.00 instead of $10.00 per month. Permanent disability benefits are granted and eligibility is made less restrictive. The retirement age for women (and the eligibility age for wives) is reduced to 60 years.

Casual, farm, and domestic workers are undoubtedly among those most in need of unemployment coverage. In such cases the problem of collecting contributions from employers is so formidable that no protection is likely in this generation. If the experiences of the post-war years convince the American people that the program is desirable, these workers may receive benefits from funds levied on themselves and on the general taxpayer.

National Resources Planning Board proposals rejected by the Wagner-Murray-Dingell Bill include federal citizenship education (NYA and CCC?), relief employment if private industrial activity declines (WPA?), and social security appropriations from general tax revenues.

The Problem of Reserves

The original Social Security Act proposed a huge reserve with the taxpayers' contribution taking the form of 3% interest on the special Treasury bonds issued for this fund. The estimated receipts plus interest were to exceed disbursements during the earlier years by such an amount that the reserve fund would reach $47,000,000,000 in 1980. The American program thus planned a reserve even larger than would be necessary if each policy paid its own way. Such forced saving would have restricted the working class standard of living and deepened any depression. By contrast, most foreign plans operate without any reserve.

The refusal of our present Congress to increase the payroll tax rates is partly based on the expanded receipts from boom payrolls. More significantly, it seems to reflect acceptance of the early advice of both economists and actuaries to the effect that social insurance is not like the insurance sold by a corporation, and that an actuarial reserve is neither necessary nor advisable. A private company must consider its ability to pay benefits should any contingency arise (e. g., no new policy sales), and therefore needs a sizeable reserve. Government insurance is, or can be, compulsory.

The original plan of a full reserve is gradually being abandoned. Its growth has been checked by increasing expenditures (survivors benefits, 1939) and by postponing the increase in tax rates. Nevertheless, some reserve is being accumulated. The Democratic administration has favored a reserve because the present cash receipts could be used to cover the federal deficits. About $10,000,000,000 in payroll taxes have been collected. Some $6,000,000,000 have been paid into the treasury reserve for old age and survivors benefits.[4] The original plan called for a $15,000,000,000 reserve by 1950.

Although 1943 was a record breaking year in terms of employment there were nearly 3,500,000 households deriving all or most of their income from one of the social security programs. Almost 67,000,000 social security cards are held. The eighth annual report of the Social Security Board reveals that disability, superannuation, and death of the breadwinner remain as high as normal. Social Insurance payments are now exceeding Public Aid, which has declined except for aid to dependent children.

The budget for the fiscal year ending June 30, 1944 shows transfers to the federal trust funds for old age and survivors amounting to $1,392,000,000, and social security expenditures of $796,000,000. The forced saving indicated may be proper during the war boom, since one half is deducted from wages and the other half largely shifted to consumers.[5] But the provision that old age annuity recipients must be unemployed (still in effect) should be withdrawn during any period of labor shortage. It is quite possible that old age insurance may have the unfortunate effect of inducing capable persons to retire while the manpower problem is still acute. However, more than 600,000 workers, motivated by patriotism or high wages, are still employed though entitled to draw old age benefits if they would stop work.

When the next depression threatens, the reserve may be cut down rather than accumulated. Such action could help maintain purchasing power, and could avoid large collections from employers based on payrolls which tend to augment the substitution of other factors of production for labor. (Congress is authorized but not required to maintain the system on an actuarial basis, so that no change in the law is necessary for reduction of the reserve.)

Conclusions

The social security experiment may fail unless we can maintain high levels of employment and productivity. The British program assumes that employment will be 90% of the possible. According to Sir William Beveridge "full employment" means at least 91.5% of the working population employed, limiting unemployment to some 1,500,000 men in Great Britain and 5,000,000 in the United States.[6] These considerations seem to warrant a small contingency reserve, maintained and manipulated to help balance the cycle.

A thorough simplification of the tax structure might integrate the collections at source, combining the income and social security taxes. As our own population ages a "pay-as-you-go" security program will require payroll taxes at the rate of 6% each from the employee and employer.[7] The proposals in the Wagner-Murray-Dingell Bill would require more. Since the recipients will be nonproducers America must give more serious consideration to the question, "How much social security can we afford?" Too much is written about social security in terms of what we would like to have, omitting any reference to necessary sacrifices. The war has shown us new limits to our ability to tax the rich, but the principal burden must still fall on the middle and lower brackets.

If less goods are consumed now, will there be more for the future? This would be true if the government could invest the social security receipts in such ways as to increase future national income. Many possible investments, of course, would be dangerous politically, implying either a socialistic government in business or government lending to private business with the concomitant investigations and controls. Only a few of the direct expenditures (public health and child care) offer possibilities for increasing the productive power of future generations.

On the other hand, the net effect of the social security program may be to increase national spending on consumption, and reduce saving and investment. According to Robert Nathan (former chairman of the WPB Planning Committee) this is exactly what we want.[8] Little industrial expansion is to be expected for a generation and interest rates are approaching the vanishing point. Corporations that do expand need not go into the capital markets, finding it easy to withhold dividends. The last depression year (1939) shows a clear deficiency of new private investment. But the only way in which the productivity of labor can be saved for the future is by storing it up in real capital.

This situation encourages a philosophy of spending accompanied by reliance on increased social security to cover illness, old age, unemployment, and other contingencies. More fundamentally, it must be seen that social security will only supplement positive measures for strengthening the productivity of low income groups and for controlling the business cycle. Legislation should be concerned with basic causes as well as the alleviation of symptoms.

[2] McCabe and Lester, "Labor and Social Organization," p. 239.

[3] National Resources Planning Board, "Security, Work, and Relief Policies," Washington, 1942.

[4] "Social Security Bulletin" (monthly report).

[5] Under any degree of monopoly the employer may not be able to shift. In a competitive situation employers' taxes will be shifted to either the worker or the consumer, assuming the tax bears equally on all employers. The cost of collection remains a business burden.

[6] Sir William Beveridge, "The Pillars of Security."

[7] Harold M. Groves, "Financing Government," p. 382.

[8] Robert R. Nathan, "Mobilizing for Abundance." This book has been endorsed by Donald Nelson, WPB chairman.

Wiggins Honored With Doctor Of Laws Degree

An honorary degree of Doctor of Laws was conferred upon A. L. M. Wiggins, President of the American Bankers Association, by the University of South Carolina at its commencement exercises at Columbia, S. C., on June 25. The degree was conferred by Dr. J. Rion McKissick, President of the University, and was read by Dean Bradley. In the citation, President McKissick called Mr. Wiggins an "outstandingly successful newspaper publisher, merchant and financier, a banker who believes that a bank should be not only a private business but also a democratic institution aiding in developing individual thrift, independence and opportunity, and in upbuilding the community . . . an ardent believer in the advantages and blessings of small city and small-town life, a vigorous thinker, writer and speaker on public questions and an outspoken champion of private enterprise and of the undiminished rights of American freedom."

A. L. M. Wiggins

Sierck & Cooke Forming

Herbert W. Sierck, member of the New York Stock Exchange, and A. Brendan Cooke will form Sierck & Cooke, with offices at 42 Broadway, New York City, effective July 20. Mr. Cooke will act as alternate on the floor of the Exchange for Mr. Sierck who has been active as an individual floor broker.

Interesting Textile Issue

J. Roy Prosser & Co., 52 William Street, New York City, have prepared an analysis of West Point Manufacturing Company, a leading unit in the textile industry. Copies of this interesting study may be had from the firm upon request.

Cleveland Exch. Members Distributing Analyses Under New Program

Interesting analyses of the Cliffs Corporation and Cleveland Cliffs Iron Company are being distributed by members of the Cleveland Stock Exchange as a part of a program of the newly formed Public Relations Committee under the Chairmanship of Guy Prosser. Copies of these analyses may be obtained from any member of the Exchange or from the Cleveland Stock Exchange upon request.

N. Y. Analysts to Hear

At the meeting of the New York Society of Security Analysts to be held on July 14 Arthur Wiesenberger, senior partner of Arthur Wiesenberger & Co., will speak on "How Leverage and Investment Trusts Can Be Used to Advantage by Bulls and Bears." The meeting will be held at 56 Broad Street at 12:30 p.m.

On July 17, Milan Popovic, head of the research department of the Blue Ridge Corporation, will discuss Tito vs. Mikhailovitch in a program prepared by the Foreign Affairs group.

Chicago Brevities

Private financing activity has been practically at a standstill on La Salle Street during the past month as the financial community has pitched in to sell government obligations during the Fifth War Loan Drive.

Philip R. Clarke, president of the City National Bank and Trust Company of Chicago, has been chairman of the war finance committee in Chicago and Cook County. Under his guidance, business has played a greater part in this campaign than in earlier ones, as Mr. Clarke created a new operational group known as the trades and industries division which performed a vital function in the drive.

The new division was headed by Jay N. Whipple of Bacon, Whipple and Co., and vice chairman of the war finance committee. T. Weller Kimball of Glore, Forgan & Co. was a divisional vice chairman. Also assisting were these financial leaders:

Robert A. Podesta, Kebbon, McCormick & Co.; Kinney Smith, Halsey, Stuart & Co., Inc.; Andrew M. Baird, A. G. Becker & Co.; Edward C. George, Harriman Ripley & Co., Inc.; Homer P. Hargrave, Merrill Lynch, Pierce, Fenner & Beane; Walter E. Kistner, A. C. Allyn and Company; Duncan M. Rowles, Harris, Hall & Company; and Kenneth L. Smith, Chicago Stock Exchange.

Altogether, La Salle Street investment dealers have done an excellent job on the current government drive, demonstrating again the important place of brokers, investment bankers, and dealers in the wartime economy.

* * *

As the War Loan Drive ends, investment firms here are preparing for a rush of new financing business. Estimates place the amount of new securities to enter the market in the near future at close to $1,000,000,000. Approximately half of this huge total will be in public utility bonds and debentures, and there is a large block of railroad financing due. All in all, dealers here expect to be pleasantly busy until the time of the next government bond campaign.

* * *

There was naturally keen interest in the Republican National Convention shown here by La Salle Street, and statements of GOP leaders, as well as the party platform, were scanned to determine the attitude towards business that was exhibited.

At the first press conference of Governor Dewey after he received the presidential nomination, he spoke at length about the Securities and Exchange Commission.

(Continued on page 179)

Edson Gould Now With Smith, Barney & Co.

Son Of Ambassador Koo Also With Firm

Edson Gould, for many years with Moody's Investors' Service, is now associated with Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, as a member of the firm's research department. Mr. Gould was editor of Moody's Stock Survey, Moody's Bond Survey, and Moody's Advisory Reports, and in charge of a division devoted to economics, industry and stock market research.

Freeman Fu-Chang Koo, son of V. K. Wellington Koo, China's Ambassador to the Court of St. James's, has also become associated with Smith, Barney & Co. in the firm's New York office, where he will prepare himself for the investment and brokerage business with a view to applying his experience later on in China.

Mr. Koo was graduated magna cum laude from Harvard in 1942 with a Bachelor of Science degree, and this year was graduated from Columbia with a Master of Arts degree. His father, prior to being made China's Ambassador to Great Britain, was China's Minister to the United States. He too received his college training in the United States.

Kitchen & Co. New Dealer Firm In Chicago

CHICAGO, ILL.—Kitchen & Co. has been formed by W. T. Kitchen with offices at 135 South La Salle Street, to act as underwriters, dealers and brokers in over-the-counter securities. Mr. Kitchen has been in the investment business for over 20 years and for the past four years has been with Otis & Co.

Formation of Kitchen & Co. was previously reported in the Financial Chronicle of June 15th.

Chicago Recommendations

Brailsford & Co., 208 South La Salle Street, have prepared a comprehensive analysis, up-to-date earnings record and current comment on **Chicago North Shore and Milwaukee Railroad**, copies of which may be had from the firm upon request.

Kitchen & Co., 135 South La Salle Street, have issued a summary of the prospects of the Chicago and Southern Air Lines, Inc. Copies of this interesting study may be had from Kitchen & Co. upon request.

Sincere and Company, 231 South La Salle Street, will furnish latest information regarding earnings of **Flour Mills of America** upon request.

Thomson & McKinnon, 231 South La Salle Street, have a brief analysis of the **Petroleum Industry** which discusses the present international situation and gives current statistics on leading companies. Copies of this interesting analysis may be had by writing to the Investment Research Department.

Chicago Business In May At High Level

With one exception, all principal lines of Chicago business activity during May showed marked gains over the same period of a year ago, it is disclosed in the analysis just completed by the Chicago Association of Commerce. The lone laggard was the Chicago Stock Exchange where the number of shares exchanging hands and their combined market value dropped behind 1943.

Building construction again led the field in the proportions of its gain, the number of contracts awarded for new projects in Cook County rising 80.2% over the same month of last year.

Bank clearings which dropped slightly behind a month ago came back to the plus column with an increase of 4.1% over May, 1943.

Factory payrolls were 16.7% up, with slightly less than a 2% gain in the number of persons employed. This increase in wages had its effect in retail circles, department store sales mounting 13.8%.

In the public utility field the trend continued upward. Electric power consumption rose 8.7%; long distance telephone calls originating in Chicago increased 10.6%; and the local transit companies all reported heavier fare paying passenger loads.

One of the most significant improvements was that shown in the number of passengers clearing through the Municipal Airport. With several of the lines again in possession of planes previously loaned to the military forces, in-and-out traffic was 36% heavier.

The opportunity for employment again had its effect upon the relief rolls. The number of families in Cook County receiving government doles dropped by almost 10,000.

IBA Post-War Program To Provide Jobs For Returning Veterans

An investment banking post-war program to provide jobs for returning fighting men and training for jobs was announced at Chicago July 10 by the Investment Bankers Association of America. Julien H. Collins, of Harris, Hall & Company, Chicago, Chairman of the education committee of the association which is developing and will be in charge of conducting the plan, described it as a three-purpose program:

Julien H. Collins

(1) to enable investment banking more effectively to offer careers to young men coming out of the armed forces,

(2) to help the business recruit promising young men from the returning fighting men, and also from college campuses when graduates no longer go directly into service, and

(3) to assist in maintaining high standards of ethics and professionalism in investment banking by indoctrination of new men in the business in sound principles of finance and investment.

The program, which will be nationwide, calls for "condensed, professional" courses of training to be provided in all the major cities. Locally, each group of the association is to seek the cooperation of its own universities in presenting the course, Mr. Collins said. It is proposed to have the courses ready for offering next Winter in the event the number of men returning from the services has attained a volume to justify a start on the program by that time. Preliminary steps have been taken, it was said, and the association expects to engage an education director to take over the direction of the program on a full-time basis.

The Securities Salesman's Corner

Security Salesmanship 1944 Model

To those whose memory goes back to the twenties, the change for the better that has come about in the methods and procedures connected with the retailing of investment securities is readily apparent. It is no wonder, therefore, that the investment and brokerage fraternity is now gradually breaking down the prejudice and the unfavorable opinions held by the public which have so long prevailed.

A great change in the attitude of the individual salesman toward his clients has also taken place. It is no longer considered good salesmanship, or good business, to treat the investor just as someone to whom a sale can be made. This type of operator went out of the business along with the market crash in 1929. Today the competent and successful securities salesman looks upon the investor as a potential client with whom he intends to do business continuously year in and year out. This means that he must do a constructive, over-all investment job for his clients—selling a specific security is only the means to this end.

There are still a minority of salesmen who are active in the security business who have not kept pace with this new trend and the times. Their minds are still operating in the same old groove as in the past. They somehow manage to keep sufficiently active and make enough sales to meet their expenses but it is always a struggle because a solid foundation of customer good-will based upon properly constructed investment advice does not underlie their efforts.

Based upon the experience of successful salesmen who are using today's modern methods we would suggest to those who are still trying to sell a security and who would like to break out of the rut, that the first thing to do is to acquire the proper attitude toward the business of security salesmanship. It is well nigh impossible to change the habits of many years standing unless the basic roots of such thinking are completely eliminated and new ideas are firmly put in their place.

Instead of setting out to sell a security to the same old group of clients and prospects TRY A NEW FIELD COMPLETELY. Call upon a new group of prospects entirely. Don't try to sell anything but your WILLINGNESS TO SERVE, TO HELP, TO WORK WITH YOUR CUSTOMERS TO THE END THAT EVENTUALLY THEY CAN PLACE SUCH CONFIDENCE IN YOU AND YOUR FIRM THAT THEIR INVESTMENT PROBLEMS WILL BE TAKEN CARE OF WITH A MINIMUM OF TIME AND TROUBLE ON THEIR PART. This may sound like drastic medicine to all those who have been in the habit of waiting for a special situation to come along and selling it and waiting for the next one. It is not necessary to completely forget old customers during such a campaign. It can be carried out in conjunction with calls upon established accounts. But those new accounts should be approached as we have outlined. Two or three days a week devoted exclusively to this type of work will build a backlog of prospective clients after even several months of steady work.

Once this type of salesmanship—or better still let us call it a philosophy of selling—is established firmly in the mind of the individual salesman it becomes the most powerful selling tool that any one can acquire.

The security salesman who is out to do a good job for his customers and who knows that he can do it, speaks with conviction when he talks. He isn't in the position of the salesman who is thinking first of selling a particular security—he is offering something much more vital and attractive to his potential customer—namely a complete investment service.

A certain salesman who has used this type of selling effectively in recent years told us of a case which illustrates how effectively this approach answers and overcomes natural sales resistance. He was asked by his prospect how he could benefit if he was given an order to sell some listed securities when his firm were not members of any exchange. The salesman explained that he couldn't make a dime on that particular transaction, but the immediate commissions were never of interest to him or his firm. He was equipped to render a complete investment service in both listed and unlisted securities and that over a period of time his customers found it advantageous to invest in the securities which he recommended and upon which, when the time came, he would make a profit.

The truth when spoken with conviction and carried out in practice produces a sales talk that no amount of clever phraseology can duplicate. No worthwhile investor expects something for nothing—no salesman can find a better method of increasing his business than through a sincere desire to serve his clients—profitable business under such a plan will follow automatically.

Mallory Interesting

P. R. Mallory & Co., Inc., offers an interesting situation, according to an analysis prepared by Steiner, Rouse & Co., 25 Broad St., New York City, members of the New York Stock Exchange. Copies of this analysis may be had from Steiner, Rouse & Co. upon request.

Fashion Park Attractive

A detailed study of Fashion Park, Inc., is contained in a special circular prepared by Simons, Linburn & Co., 25 Broad Street, New York. Copies of this interesting study may be had from the firm upon request.

Chicago Brevities

(Continued from page 178)

He said that the SEC "has not done its best to stimulate the flow of new capital into creating new jobs," although he declared that "I have always felt the SEC was one of the best things the present administration ever did."

Governor Dewey said that he did not advocate new securities legislation, but felt that "better administration and better appointees" of the present laws were necessary.

In this connection, a number of La Salle Street leaders were questioned about their attitude towards the SEC. The majority said that they wanted the SEC retained, but asked for revision to enable financial machinery to run more smoothly. Most also said that they were satisfied with the present administration of the acts.

* * *

Now the financial community is looking toward the Democratic Convention, which starts here July 19, to discover how the heads of that party feel towards the investment business, and the whole domestic economy.

* * *

As usual, traction problems in Chicago are in a turmoil. Although hearings, court actions, and proposals for a solution to the difficulties have been attracting attention for years, the complex problem seems to be approaching at least a temporary climax.

In the latest move, Federal Judge Michael L. Igoe, who has been conducting hearings on a plan to reorganize and merge the elevated and street car lines under private ownership, set Aug. 16 as the date for the start of bankruptcy proceedings for the surface lines.

Although the city spokesmen asserted that bankruptcy would delay their municipal ownership plan for a year or more, Judge Igoe resisted what he described as efforts by the city to make him "carry the ball" for municipal ownership of the transit lines.

At a hearing attended by more than 100 attorneys, representing a variety of interests in the matter, the judge said that he would not act as a "hatchet man" to deprive junior security holders of their property, and implied that the approximately $84,000,000 price that the city was offering for the surface and elevated properties was too little.

Meanwhile, on other fronts of the widespread traction battle, two other developments took place.

Otis & Company, investment banking firm, repeated their offer to Mayor Edward J. Kelly to bid for any securities issued to finance the proposed municipal ownership plan. The company suggested the issuance of revenue bonds and the creation of a city transportation district similar to the Chicago Park District.

The Otis syndicate is said to number about 100 firms, throughout the nation. A group headed by Harris, Hall & Company, Inc., The First Boston Corporation, and Blyth & Co., Inc., has also announced formation of a large syndicate to bid for the proposed obligations.

The other recent development was the rumored start of an investigation by the SEC into the recent speculation in traction securities. The SEC has refused to comment on the alleged investigation, which was said to have been started at the request of Judge Igoe.

H. H. Wildeman With Ames, Emerich & Co.

CHICAGO, ILL.—H. H. Wildeman has become associated with Ames, Emerich & Co., Inc., 105 South La Salle Street, in charge of their statistical and research department. Mr. Wildeman, who has been in the securities business for 20 years, was formerly with Mason, Moran & Co., and McGraw & Co.

Robt. Showers Resumes Investment Business

CHICAGO, ILL.—Major Robert Showers has resumed business at 10 South La Salle Street, to deal in municipal and corporate securities. Major Showers, who was recently placed on the inactive list of the U. S. Army after two years' service, has been in the securities business since 1919.

Wisconsin Brevities

Koehring Company, Milwaukee, earned $4.93 a share for the first six months ended May 31, 1944. The company reports that the book value of its Common stock as of that date was $78.72 a share.

Badger Paper Mills, Peshtigo, Wisconsin, sent out a notice of call on its 6% Preferred stock, for payment on Aug. 1, 1944, at $50 a share plus accrued dividends.

Sales of **Four Wheel Drive Company,** of Clintonville, Wisconsin, totaled $6,500,000 for the 10 months ended April 30, 1944, which exceeds the volume for the entire year ended June 30, 1943.

Nunn-Bush Shoe Company, Milwaukee, reports consolidated earnings for the six months ended April 30 equal to $9.73 a share on the 5% Preferred stock and 56c a share on the Common stock.

The Securities and Exchange Commission has under consideration the application of **Northern Paper Mills** of Green Bay, Wisconsin, to delist its Common stock from the Chicago Stock Exchange.

Perfex Corporation, Milwaukee, is offering 21,803 shares of its $4 par Capital stock at $7.50 a share, through a local underwriting group headed by The Wisconsin Company, including Riley & Co., The Milwaukee Company and Loewi & Co.

The proceeds, together with proceeds from the sale of $550,000 of 4½% Debentures, placed privately, will be added to working capital.

E. E. Peterman Joins The Milwaukee Co.

MILWAUKEE, WIS.—Elsie E. Peterman has become associated with the Milwaukee Company, 207 East Michigan Street. Miss Peterman was formerly treasurer of Partridge-Player Co., Inc., with which she had been associated for many years. The latter firm is being liquidated due to the deaths of Mr. Partridge and Mr. Player and its records and files are being turned over to the Milwaukee Co.

Available On Request

Schenley Distillers Corporation have prepared an attractive booklet containing the first articles in the series they have been running in the "Financial Chronicle." Copies of this booklet may be had upon request by writing to Mark Merit, in care of Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.

Case For N. Y. Bank Stocks

Laird, Bissell & Meeds, 120 Broadway, New York City, members of the New York Stock Exchange, have issued a circular entitled "The Case for New York Bank Stocks" giving their reasons for favoring this group. Copies of this interesting circular may be had from Laird, Bissell & Meeds upon request.

Pension, Bonus And Profit Sharing Plans And The Revenue Laws

(Continued from first page)

to make such determinations that it may initially desire to make in the matter.

2.—A company may or may not benefit taxwise, depending on plan.

A plan that is adopted by the company may or may not be of benefit to a company taxwise. Unless the plan which is adopted comes within certain qualifying provisions of Section 165 (a) of the Internal Revenue Code, the probabilities are (but not always) that it would result in a hardship taxwise, not alone to the company setting up the plan but also to the persons who are beneficiaries under the plan. If a plan qualifies under section 165 (a) of the Internal Revenue Code then the payments which are made by the company into the plan would generally be deductible for income tax purposes in the year that the payments are made, yet the beneficiaries of such plan would not have to report the receipt of the fund until the year that the funds are distributed under the plan to the beneficiary. There are qualifications as to this set forth below.

3.—A plan may cover all or only certain employees.

A plan may cover all employees of a company, or it may cover a representative group of key employees, or it may cover all employees except those whose entire compensation is subject to Social Security benefits, or it may cover all employees of a company who have worked only for a certain minimum period of time and exclude others, or it may be set up on a basis of some or more of these combinations.

4.—One way of setting up a qualified group of employees.

Briefly, Section 165 (a) of the Internal Revenue Code provides that the plan or plans adopted by the company must cover either 80% or more of all employees of the company or 80% or more of all of the employees if 70% of all employees are eligible under the plan. However, a company may exclude from the operation of the plan employees who have not worked for the company for a minimum period up to five years or whose customary employment is for not more than 20 hours in any one week or whose customary employment is for not more than five months in any calendar year.

5.—Another way of setting up a qualified group of employees.

Section 165 (a) further provides that a company may set up a plan or plans to cover a specific group of employees provided that the Commissioner of Internal Revenue does not find the plan discriminatory in favor of employees who are officers, share-holders, persons whose principal duties consist in supervising the work of other employees or highly compensated employees. Section 165 (a) further says however, that a classification of employees shall not be considered discriminatory merely because it excludes employees the whole of whose compensation constitutes wages subject to Social Security benefits, or merely because it is limited to salaried or clerical employees; nor is such a plan considered discriminatory because the contributions or benefits of or on behalf of the employees under the plan bear a uniform relationship to the total compensation, or the basic or regular rate of compensation of such employees, or to that portion of the employee's remuneration not covered by Social Security benefits.

6.—Broad leeway is given.

Therefore, it is apparent under the provisions of Section 165 (a) that a company is given very broad leeway as to which of its employees should or should not be covered by a plan.

7.—Is plan to be a profit sharing or continuing fixed payment plan.

As to just what type of plan or plans a company desires to install depends on the various factors set forth in paragraph No. 1 above. In this respect the management of the company must determine for itself whether it desires a plan to have as its basis the sharing in a percentage of the profits of the company, or have as its basis that the company will pay the cost of maintaining the plan each year regardless of the amount of profits earned by the company in any year, or even if it has losses. The distinction and difference between the two is self-evident. Likewise too, in establishing a plan a company must decide whether it desires to administer the plan entirely itself, or whether it desires to use the contributions under the plan in whole or in part for the purchase of insurance or annuity policies covering death, retirement features either alone or together with death or disability, and perhaps one or more other features.

8.—Benefits of self-administered plan without continuing fixed obligations.

If a plan is entirely self-administered by a company so that it does not purchase any insurance or annuity policies, then, if at a later date the company desires to drop the plan, then no portion of the contributions made to the plan will be lost to the beneficiaries, which otherwise would be the case if premiums had to be paid on insurance or annuity policies. On the other hand, the amounts the employees will generally ultimately receive as benefits under the plan, will be limited to the amount which the company has contributed to the plan. In the case of companies that are uncertain as to their financial condition and earnings for a long period of years to come, a large scale plan for the purchase of insurance and annuity policies for a large group of employees which requires continuing premium payments over a period of years should not be purchased unless the company and its management are willing to run the risks of being able to meet and pay the insurance premiums. Such a program would be economically unsound.

9.—My general advice and recommendation.

In establishing a plan, a company which is uncertain as to its financial condition and earnings in the future and its ability to meet premiums on insurance and annuity policies over a long period of years, is generally better off to establish one which is solely on a profit-sharing basis and in which qualified employees share in proportion to the income they receive from the company over a period of years. In this way the company is certain that in the event that it has no profits in any year it need not make any payment into the plan; that in the event its financial condition is bad and there are no profits, it is not subjected to making a continuing payment and the investment which is made under a group of insurance or annuity policies up to such time will not be lost.

In the case of a company which is sound financially and can see for a reasonable period ahead that its financial conditions and earnings are reasonably certain, and could over a long period of years maintain continued payments of insurance and annuity premiums, will generally find it a wise policy when it establishes a plan to incorporate the purchase of insurance and annuity policies in the program.

10.—The establishment of a profit-sharing as against an actuarily funded plan.

It is wise, of course, for a company to investigate what would be the cost of maintaining a plan established on an actuarial basis (as distinguished from a profit-sharing plan merely) which requires the payment of fixed and continuing charges and which may or may not require the purchase of insurance or annuity policies.

(1) In addition to establishing a plan which is solely on a profit-sharing basis whereunder the fund is to be later distributed among employees in certain proportions in accordance with their qualifications at time of distribution, or

(2) A plan which provides for the purchase of insurance and annuity policies, or

(3) A plan which combines both features, (1) and (2) above. A company can set up a plan on a still different basis. For example:

(4) Such a plan would be predicated on a company making fixed payments into a plan determined on an actuarial basis, whereunder the fund is later distributed to employees in accordance with certain fixed monthly or other payments on account of death, retirement or disability or other reasons, but which fund is not used to purchase insurance or annuity policies but is entirely self-administered by the company or by trustees named in the plan established.

Other plans will also present themselves to the mind of the reader.

11.—Application of Internal Revenue and Wage and Salary Stabilization Laws.

In establishing a plan the effect of taxes must be considered as well as the effect of Wage and Salary Stabilization Laws. Within certain limitations set forth in Section 23 (p) of the Internal Revenue Code an employer may deduct his contribution to a stock bonus, pension or profit-sharing plan or trust created for the benefit of his employees, in the year in which the contribution is made. Several of the limitations contained in the section are applicable to all employee benefit or deferred compensation plans. On the other hand, other of the limitations depend upon the type of the trust, as for instance whether it is a stock bonus, a pension, or a profit-sharing trust. Then, too, the treatment of the deduction varies according to whether or not the plan or trust meets the requirements of Section 165 (a) of the Internal Revenue Code.

12.—Taxwise, all contributions must be reasonable to be deductible.

First with regard to Section 23 (p), irrespective of the type of plan or trust that it may be, an employer may not deduct any contribution to the plan or trust unless such contribution would constitute an ordinary and necessary business expense under Section 23 (a) of the Internal Revenue Code. This means that the payments under the plan plus regular salaries and wages must not exceed reasonable compensation for services rendered. However, as a general proposition, it may be said that usually if a plan qualifies under Section 165 (a) of the Internal Revenue Code, the payments made thereunder in conjunction with other salary and wage payments will probably be considered reasonable.

13.—Amount deductible under pension plan.

Next, with regard to pension plans and trusts which would generally embrace retirement, pension, disability and death features, the deduction that an employer may take for its contribution under a plan or trust meeting the requirements of Section 165 (a) is generally limited to 5% of the aggregate compensation paid or accrued during the year to all employees covered by the plan or trust, plus any excess over this amount necessary to provide the remaining unfunded cost of the employee's past and current service credits, actuarily determined in terms of a level amount or level percentage of compensation over the remaining future service of such employees. As an alternative to this method and in its place, an employer may deduct the cost of pension credits attributable to that year's employment, plus 10% of the cost required to complete the fund or purchase such plan or annuity credits as of the date they are included in the plan, if past service of other supplementary credits are provided by the plan and are not covered by the normal cost. This alternative method, I am advised, is used for most of the annuity plans under which an employer sets up an employee retirement plan under a master group annuity contract issued by an insurance company.

14.—Amount deductible under profit sharing plan.

Next with regard to Section 23 (p) if the plan is a stock bonus or profit sharing plan or trust which qualifies under Section 165 (a) then a company may deduct up to 15% of the compensation otherwise paid or accrued during the taxable year to all beneficiaries covered by the plan.

15.—Amount deductible when a combination of several plans is in operation.

Section 23 (p) also provides that where a company has in operation two or more stock bonus or profit sharing trusts, they are considered a single trust for the purpose of a 15% limitation, but if the company has a stock bonus or profit sharing plan or trust in conjunction with a pension trust or an annuity plan, or with both a pension, trust and annuity plan, and they all qualify under Section 165 (a), then the company may deduct for income tax purposes amounts that may run up as high as 25% of the compensation otherwise paid or accrued during the taxable years to the employees covered by the plans or trusts.

16.—Excess payments in one year deductible in following year.

Provision is also made under Section 23 (p) that if the payments made by a company to a plan or trust in any year are larger than the amounts it may properly deduct in the taxable year for income tax purposes, then subject to certain limitations the excess may be carried over into the next year.

17.—General application of Wage and Salary Stabilization Laws.

The provisions of law with regard to wage and salary stabiliza-

tion at the present time are fairly well defined, the law and the rules and regulations of the Director of Economic Stabilization, the National War Labor Board and the Salary Stabilization Unit of the Commissioner of Internal Revenue provide that pension plans and stock bonus and profit sharing plans and trusts are not to be deemed salary and wage increases if they meet the certain requirements of the rules and regulations as well as qualify under Section 165 (a) of the Internal Revenue Code.

18.—Summary of applicable major salary stabilization laws.

With regard to salary stabilization laws the Commissioner of Internal Revenue has made certain rules and regulations which are summarized as follows:

(a) Compensation of an employee may include insurance and pension benefits. The amounts to be taken into consideration are the amounts of contributions or premiums paid by the employer and not the amounts which the employee may receive upon the happening of certain contingencies. To the extent that the insurance and pension benefit inuring to an employee is reasonable in amount, such benefit is not considered as salary.

(b) Contributions made by an employer to an employee's retirement plan which meets the requirements of Section 165 (a) are considered reasonable, regardless of the amount of such contributions.

(c) However, where the contributions are made by an employer to a stock bonus or profit sharing plan, they must provide for benefits only distributable on death, retirement, sickness or disability of the employee. Otherwise, payments will be considered as salary.

(d) Amounts paid by an employer on account of insurance premiums on the life of employees who have the right to designate the beneficiary are deductible to the extent that they do not exceed 5% of the employee's annual salary, determined without the inclusion of insurance and pension benefits and without the inclusion of bonus and additional compensation. Usually, this type of insurance is limited to only whole life or ordinary life policies. Premiums on endowment policies, single premium life policies, fixed payment life policies and other similar policies are ordinarily considered salary. The regulations provide some exceptions for people who cannot qualify for ordinary or whole life policies.

(e) Premiums paid by an employer on policies of group life insurance without cash surrender value, covering the lives of his employees, or on policies of group, health or accident insurance, the beneficiaries of which are designated by the employee, do not constitute salary regardless of the amount of salary otherwise received annually by such employee.

(f) With regard to profit sharing and stock bonus plans and trusts, the Commissioner of Internal Revenue issued regulations in which he said that as to plans and trusts created after Oct. 2, 1942, his office would approve contributions to such trusts where the employer's contributions are payable to the employee only in the event of retirement at a suitable age, death, disability, sickness, or after a fixed period of time not less than ten years with distribution over a period of years thereafter, for example, 10% per annum for ten years.

(g) Also in regard to profit sharing and stock bonus plans and trusts the Commissioner of Internal Revenue has said that his office would raise no objection to a plan providing for distribution of contributions upon termination of employment, provided that not more than 20% of the amount of the employee's total credits (not taking into consideration forfeited amounts) is payable in any one year after such termination.

19.—Summary of applicable major wage stabilization laws.

With regard to wage stabilization laws, the War Labor Board has made certain rules and regulations which are hereby summarized:

(a) Concerning profit sharing trusts or plans, the War Labor Board follows rules and regulations of the Commissioner of Internal Revenue for the most part. There are some exceptions but not of sufficient purport to enumerate them here.

(b) As to other types of pension and retirement plans, the War Labor Board has not issued any detailed regulations. However, interpretations of the War Labor Board follow the regulations of the Director of Economic Stabilization which, in a sense, say that premiums on insurance on the life of employees may be paid up to the extent of 5% of annual pay, without limitations on group health, accident and hospitalization insurance policies; and other payments may be made under plans and trusts which qualify under Section 165 (a) of the Internal Revenue Code, exclusive of profit sharing and stock bonus trusts and plans.

20.—Effect of termination of Wage and Salary Stabilization Laws.

In setting up a plan, a company can do so with the realization that the limitations of the Wage and Salary Stabilization Laws are only a result of temporary economic conditions. When the war is over and a better degree of normalcy is attained and the laws relating to economic stabilization are removed, the probabilities are that pension trusts and plans and profit sharing trusts and plans will be able to be amended so that the provisions of law which today are sufficiently attractive in themselves, can be made even more attractive, especially from the viewpoint of considering that profits might be able to be distributed at an earlier date. While this is a factor to be kept in mind, it should not be a determining one because one cannot foresee the future with certainty.

21.—The vesting or non-vestiture of employees' rights.

When a plan is established, the provisions thereof can be along the lines that persons who are not in the employ of the company at a certain qualifying date, or at the time for distribution of the fund, may not have the right to participate in the proceeds of the plan or trust and their rights thereunder are forfeited. This can apply to an employee's rights in their entirety or it can apply to part of them. For example, under present salary stabilization procedure, a plan may in substance, provide that payments under a profit sharing plan may commence to be made at a fixed date 10-year date, 10% of the credits lishment of the plan. As of such 10 year date, 10% of the credits in the employee's account may be paid to him—and each year thereafter, 10% of the accumulated credits then remaining in the employee's account may be paid to him. However, if an employee has either before or after the 10-year date retired, resigned, quit, been discharged, fired, etc., the plan may provide that all or part of the credits in the employee's account may be forfeited—and such forfeited amounts are to be allocated to the then remaining qualified employees.

22.—Past service of employees may be taken into consideration.

A plan that is established may also take into consideration and provide for benefits to be given to an employee for the years of service he has with a company, prior to the establishment of the plan.

23.—A brief summary of some other factors to be taken into consideration.

All of the above is just a brief summary of the various laws and factors and major matters to which consideration is generally given at the outset of the establishment of a plan. There are numerous other factors to be considered and determined, such as:

(a) Who will constitute an eligible employee?

(b) What will be the determining factors for an employee to ultimately share under the plan?

(c) Provide for trustees or others to administer the plan.

(d) Provide for the disposition of disputed questions.

(e) Provide for the manner of operation of the plan.

(f) Provide for whether the plan will be on a profit-sharing or funded basis.

(g) Provide for whether the plan will be entirely self-administered or whether insurance and annuity policies will be purchased.

(h) Provide for proper amendment, modification, termination and liquidation of the plan or trust in accordance with law.

(i) Provide as to what rights of an employee are, or are not forfeitable and when, and under what conditions.

(j) Provide for what information must be furnished under the plan from time to time by both the employer and employee, and for what information the employer, and the trustees under the plan must furnish to the Commissioner of Internal Revenue.

(k) Provide for the formula whereby the benefits distributable under a plan or trust to an employee may be determined.

(l) Provide for the obtaining of approval, in a proper case, of a plan or trust by the Commissioner of Internal Revenue or by the War Labor Board so as to determine that it qualifies under Section 165 (a) of the Internal Revenue Code and under the Wage and Salary Stabilization Laws.

24.—A conclusion.

A plan may be short or it may be long. It depends on what is in it. As morale builders, they are wonderful for a company. As for putting away a penny for the eventual rainy day, they are excellent. It applies equally to the chief executives and owners of businesses as well as the minor employee.

Bank and Insurance Stocks

This Week—Bank Stocks

By E. A. VAN DEUSEN

Condition statements of Wall Street banks for June 30, 1944 contained no surprises. Substantial gains in deposits and holdings of U. S. Government securities over first quarter figures, were shown by all the banks, except First National, whose Government's declined some $17,000,000 or 2.2%. Total earnings assets of 15 leading banks aggregated $21,227,997,000 on June 30, compared with $19,577,794,000 on Mar. 31, and $18,670,596,000 on Dec. 31, 1943. On June 30, 1943 they aggregated $17,753,415,000; thus in one year earning assets have increased by approximately $3,575,000,000 or 20%.

Indicated earnings of the 15 banks for the second quarter average approximately 12.7% higher than for the same period last year, while for the first six months they average 14.9% above earnings for the first half of 1943. Thus, the upward trend in earnings which started some five years ago, is being well maintained. Indicated earnings, however, cannot always be taken at face value since they merely represent, from one quarter to another, the amount by which undivided profits have been increased plus the amount of dividends disbursed or declared. They are, therefore, not necessarily the equivalent of reported earnings.

The accompanying tabulation shows second quarter indicated earnings for 1944 compared with 1943, also first six months earnings for 1944 and 1943. Current book-value is compared with the 1943 year-end figure.

	Indicated 2nd Quarter Earnings Per Share		Indicated 6 Months Earnings Per Share		Book Value	
	1943	1944	1943	1944	12-31-43	6-30-44
Bank of Manhattan	$0.36	$0.47	$0.66	$0.80	$25.03	$25.53
Bank of New York	6.47	6.54	12.05	13.26	358.97	365.24
Bankers Trust	0.88	1.05	1.64	1.92	50.15	51.37
Central Hanover	1.30	1.50	2.55	2.80	99.15	99.95
Chase National	0.77	0.71	*1.35	*1.42	36.88	37.60
Chemical Bank & Trust	0.69	0.73	1.31	1.44	41.23	41.78
Corn Exchange	0.91	0.98	1.71	1.92	49.36	50.07
First National	32.69	34.37	*49.83	*58.02	1,246.60	1,264.63
Guaranty Trust	5.23	4.99	*9.93	*11.97	323.77	328.95
Irving Trust	0.20	0.26	0.38	0.50	21.28	21.48
Manufacturers Trust	1.25	1.31	*2.17	*2.31	41.75	43.05
National City	0.53	0.64	*1.30	*2.20	38.29	40.13
New York Trust	1.41	1.71	*2.86	*3.41	85.34	86.90
Public	0.82	1.15	1.51	2.15	48.30	49.70
U. S. Trust	16.47	16.60	32.52	33.47	1,517.50	1,520.98

*Reported net operating profits.

It is of interest that some of the banks are instituting the custom of issuing semi-annual earning statements, in addition to their condition statements. This is a most helpful and commendable innovation. The banks whose semi-annual earnings are reported in the tabulation, instead of indicated earnings, are marked with an asterisk, as follows: Chase National, First National, Guaranty Trust, Manufacturers Trust, National City and New York Trust.

Chase National Bank's reported half year earnings of $1.35 in 1943 and $1.42 in 1944, include security profits of $.37 and $.19 respectively. Guaranty Trust's figures of $9.93 and $11.97, include security profits of $1.46 and $3.02, while National City's earnings of $1.30 and $2.20, include security profits of $.21 and $.93 respectively.

Out-of-town banks, also, are reporting increases in deposits and earning assets, and further improvement in earnings. Chicago banks in particular appear to be reaching peak figures in deposits and Government securities, and furthermore, the National banks of Chicago are reporting a substantial rise in loans and discounts. Data on some of the principal out-of-town banks will be presented in this column two weeks from today.

Attractive Speculation

The 6% cumulative preferred shares of H & B American Machine Company offer attractive speculative possibilities from the point of view of yield and further price enhancement, according to a detailed memorandum on the situation issued by F. M. Mayer, 30 Broad Street, New York City. Copies of the memorandum may be obtained from the firm upon request.

To Form Geer & O'Connor

Garrow T. Geer, Jr., member of the New York Stock Exchange, and William F. O'Connor will form Geer & O'Connor with offices at 42 Broadway, New York City, as of July 20. Mr. Geer has been active as an individual floor broker; Mr. O'Connor will act as his alternate on the floor of the Exchange.

China Will Join With Other Nations In Monetary Reforms

Dr. H. H. Kung, Chairman Of China's Delegation To Monetary Conference, Pledges Country's Co-operation

In a statement issued on July 4, Dr. Hsiang Hsu Kung, the head of China's large delegation to the United Nation's Monetary and Financial Conference being held at Bretton Woods, N. H., gave assurance of China's purpose to cooperate with the other nations in establishing a mechanism for international currency stabilization and in fostering the expansion of foreign trade and wider international commercial relations. He expressed confidence also that the Conference would reach an agreement, since "it is in everybody's interest" to make it a success.


Dr. H. H. Kung

Dr. Kung is a leader in China's political and economic affairs. He is Vice Premier and Minister of Finance of the present Chinese Government. Like most of the other Chinese delegates to the Conference, Dr. Kung was educated in the United States, having graduated from Oberlin College. He received his M. A. degree from Yale University in 1907, and later returned to China to take part in the revolutionary movement of Dr. Sun Yat Sen. In 1933, he was appointed Governor of the Central Bank of China and still holds this position in addition to his other offices.

Dr. Kung's statement follows:

China's resistance to Japan's drive for world domination started seven years ago. China fought single-handed for more than four years before the Allied Nations joined the war against Japan. China had to devote to the common effort all the resources that it had accumulated and could produce. As the war extended, the enemy occupied many of China's richest provinces and centers of production—destroying and looting as they went. As a result of the suffering and sacrifice for the common cause, China today faces difficulties which are greater than many can imagine.

Destruction and looting by the enemy, together with the blockade which has been tightened more and more since outbreak of the Pacific War, have progressively reduced the supply of essential goods. Also, internal transport has continually deteriorated, both from shortage of transport equipment and gasoline and from enemy occupation of important railroads, rivers and roads.

In wartime no country can avoid inflation. Considering that the seventh year of the war is now drawing to a close, this deterioration has not been as great as most of us have feared. It has not gone as rapidly as the currency deterioration in some of the European countries 25 years ago at the time of the First World War. The sacrifice of the currency has been only one of the sacrifices which China has had to make. Inflation can best be combated by large import of goods.

China has been doing its best to maintain taxation, and I am somewhat surprised that the extent of taxation in China is not more fully realized abroad. The 1944 budget estimates figure the return from current tax revenue at 52% of total expenditures. It is uncertain whether this can be realized, especially because recent military operations have materially cut into revenue—for example, in Honan Province, recent military operations have cut revenue from tobacco production by 200 million Yuan monthly. Taking account of the value of the land tax collected in kind, the tax revenue in 1943 exceeded 40% of expenditures, which compares favorably with that in other allied countries. The difficulty, however, is that with leading producing areas occupied, and in view of the small surplus available to the average person in China, it has not been practical to sell war bonds directly to the public to as great an extent as the Government would have wished. Consequently the Government inevitably had to rely largely on borrowing from banking institutions, which made unavoidable the increase of purchasing power and contributed to the rise of prices.

The present price movement in China is uneven. Imported articles are much higher than native products; and within the country prices of rice and other necessities vary considerably because goods that are plentiful in some regions cannot be moved readily to centers of consumption. Recent telegraphic reports state that the crop situation in West China is excellent, and that prices have shown some reaction after the recent rapid increase. In the last three or four years it has been normal for prices to rise more rapidly than usual in the Spring of the year, especially because surplus crops cannot be adequately distributed in the period of short supply prior to the new harvest.

With regard to exchange, it is recognized that wartime conditions are abnormal and true values are hard to determine for any currency. The Chinese Government has considered it necessary to maintain the official value of its currency, as part of the program of sustaining the war effort. A change under present conditions would hurt confidence and undoubtedly aggravate the price rise. The eventual adjustment cannot now be forecast. The Chinese Government realizes the difficulties entailed for foreigners in view of rising prices, and has been giving them an exchange supplement.

In order to sustain the currency as far as conditions permitted, the Chinese Government has always attached importance to maintaining proper currency reserves. The credits given by the American and British Governments, and particularly the large credits granted following the outbreak of the Pacific War, have been very helpful for that purpose. China already has paid off some of the wartime credits, including the 1938 woodoil credit of $25,000,000 and the 1941 American and British stabilization credits of $50,000,000 and £5,000,000 respectively.

Notwithstanding the further strain which will have to be faced, China as one of the victorious powers will emerge from the war with a much better prospect of restoring its monetary system than was the case after the inflations in Europe 25 years ago.

As to China's interest in silver, the Chinese Government intends to follow along with the other United Nations with regard to monetary standards. China has had a managed currency since 1935, which was exceptionally stable until dislocated as a result of Japanese aggression. The Chinese Government intends, in the reconstruction of its currency system, to make use of silver together with nickel and copper for subsidiary coins.

China is looking forward to a period of great economic development and expansion after the war. This includes a large-scale program of industrialization, besides the development and modernization of agriculture. It is my firm conviction that an economically strong China is an indispensable condition to the maintenance of peace and the improvement of well-being of the world. The China market has long been a dream which, I believe, will come true after the war when the purchasing power of "400 million customers" is increased.

After the first World War, Dr. Sun Yat-Sen proposed a plan for what he termed "the international development of China." He emphasized the principle of cooperation with friendly nations and the

Price Control Continued One Year

(Continued from page 174)

textile items to reflect parity prices for raw cotton.

In addition to requiring item-by-item pricing of "major" cotton textiles to reflect parity, the revised amendment empowers the President, acting through any department or agency of the Government, to "take all lawful action" to assure farmers of either parity prices or the highest prices between January 1 and September 15, 1942, on all the basic agricultural commodities — cotton, corn, wheat, rice, tobacco and peanuts—without specifying the steps he may take. The definition of "major" items is left to OPA.

Cotton received special treatment also in an increase in the loan rate to 92½% of parity, while the rate was retained unchanged at 90% for the other basic agricultural products. The 92½% figure for cotton was a compromise, an increase to 95% for all agricultural commodities in the original Bankhead amendment having been rejected.

Enforcement — In addition to these amendments to the stabilization act designed to benefit cotton, price control may be made somewhat more difficult by amendments to the price control act which appear to weaken enforcement. Instead of making the penalties for lack of compliance more severe, the new law moderates them.

While it is asserted that the new law would "eliminate 80% of the criticism of OPA" by liberalizing procedure as to protests against OPA regulations, another view is that changes in procedure may encourage price regulation violators to litigate and seek delay.

The defendant in a criminal proceeding can file a protest against the validity of a regulation with the Emergency Court of Appeals within 30 days after arraignment, and the criminal action will be stayed while the protest is before the Emergency Court. Critics maintain that a protest on the validity of a regulation could result in at least six months' delay in a criminal proceeding.

Defendants can apply for injunctions in Federal district courts against suspension orders for violating rationing regulations. OPA may not deprive persons, because of prior violations of price ceilings, of the right to sell rationed goods. Moreover, OPA can obtain only temporary injuctions against the violation of a particular provision of a regulation, while formerly an injunction could be obtained against violation of the entire regulation. In addition, appeals on validity are likely further to delay action in civil suits.

Penalties Reduced — The new law reduces penalties for "nonwilful" price law violations from the present standard of three times the amount of overcharge, or $50, whichever is larger, to the actual amount of the overcharge, or $25, whichever is larger. In cases in which defendants fail to prove that the violations are nonwilful, courts may fix damages anywhere between one and three times the amount of the overcharge, or between $25 and $50, whichever is larger.

OPA Review Board—A review board is set up to hear protests against OPA orders and advise the Price Administrator as to action on protests, and protests can be filed against any present, past or future OPA regulation, but final authority is left with the present Emergency Court of Appeals.

OPA Can Initiate Suit—Previously only the aggrieved purchaser could take action in treble damage suits against price violators. but the new law provides that OPA itself is authorized to initiate such damage suits if consumers fail to act within 30 days, and also to purchase commodities as evidence of violations.

Rent Control—Rent ceilings are adjustable in individual "hardship" cases and upon a showing that rents are substantially higher or lower than prevailing rates, or if landords' operating costs or taxes have been increased substantially; controls can be abolished in communities where taking this step would not result in abnormal rent increases.

Price Lines—OPA's "highest price line" regulation is retained as to wholesalers and manufacturers, but abolished as to retailers. The regulation required retailers to limit their stocks and sales to the highest price line offered during the base period.

Subsidies—The new law bans the broadening of the present $1,500,000,000-a-year food subsidy program, and terminates subsidies after June 30, 1945, unless Congress specifically appropriates funds for their continuance.

Other Provisions—OPA must fix ceilings on farm crops at least 15 days before the planting season; ceilings on fish must reflect the average 1942 price; and adjustment is directed of fresh fruit and vegetable prices to take into account unusual crop losses.

Amendments Defeated

Among the many defeated amendments were: the Wiley amendment, which would have permitted raising weekly wages to $37.50 for all workers, white collar or not, without WLB approval; the Disney amendment, which would have raised the price of oil and oil products: the Dirksen amendment, which would have permitted district courts to rule on the validity of OPA regulations; the Pace amendment which would have penalized processors who paid less than parity to growers; the Kleberg amendment, which would have penalized those who receive subsidies but who do not pay parity to growers; and the Chandler-Wicks amendment, which would have allowed defendants in civil suits to plead that violation was not wilful.

Conclusion

The Stabilization Extension law continues price, wage and rent regulations and the OPA administering them for at least another year. While the law contains some amendments, in procedure and relaxation of penalties against non-wilful violators, that may tend to weaken and obstruct its effective enforcement, on the whole it retains adequate safeguards against inflationary price and wage trends.—From the July 6th number of "Investment Timing issued by Economics and Research Department of the National Securities & Research Corp., New York City.

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utilization of foreign capital for the development of China's resources. Dr. Sun's teachings constitute the basis of China's national policy.

America and others of the United Nations, I hope, will take an active part in aiding in the post-war development of China. China will give protection to foreign investments. As to American participation, China looks forward to a long period of happy association and mutual assistance between the two sister republics across the Pacific. China will welcome American tools and machines, American capital, American engineering and technical services.

I am confident that the delegates to the International Monetary and Financial Conference will reach agreement. That is why we have come here. Clearly it is in everybody's interest to make the Conference a success.

Regrets Italy's Omission From Monetary Talks

The omission of Italy from participation in the monetary conference which is now taking place at Bretton Woods, N. H., is regretted by Luigi Criscuolo, long interested in promoting better financial relations between the United States and Italy. Mr. Criscuolo said recently that Italy should no longer be treated as a belligerent not only in view of the fact that a great part of Italy is now in the hands of the Allies, but because of debits and credits between Italy and the United States are very large, much larger than those with other nations whose resources are much smaller than Italy's. "Taking only the issue of $100,000,000 in Kingdom of Italy 7% bonds as an example. that amounts to a fabulous sum if considered in lire at the present rate of 100 for the dollar. But if we consider debits and credits between the two countries on purely commercial transactions," said Mr. Criscuolo, "we have another fabulous sum to consider, which should not be ignored in the calculations now being made. Behind it all, I see not a little rivalry between the United States and Britain for primacy in Italian financial and industrial affairs, and the one which will win the confidence of the Italians will be the one that will get Italian trade in the future. The most ridiculous thing I have heard of for a long time is the statement on the part of Col. Charles Poletti to the effect that the American armies should stay in Italy until the Italians learn democracy. Apart from the twenty-one years during which Fascism ruled in Italy, and was helped in that rule by American finance, the Italians had republics a thousand years ago and do not need any lessons in democracy from us.

One of the members of the anti-Fascist group, a great Italian leader, wrote me some years ago that if the Fascist government were overthrown the new group would never recognize the bonds and other obligations issued by the Fascist government. The omission of Italy from the present Bretton Woods conference is not going to help that situation very much, and that is why I urge that someone, even an American, private citizen of Italian origin, be appointed to represent the interests of Italy at that conference or American interests and prestige will suffer drawbacks."

Mutual Funds

"Should An Investor Seek Profits?"

National Securities & Research Corp., in the current issue of **National Notes**, contributes an interesting discussion to the current literature on the desirability of capital gains over other forms of income under present tax laws.

A chart is used to show the sharp contrast in the net amount which an individual retains from long-term capital gains and from other forms of income after payment of Federal taxes. The maximum Federal tax on long-term capital gains is 25%, leaving 75% of the profit to the individual in the top tax bracket. The rate of tax on dividends and other income, however, can be as high as 95%, leaving only 5% of such income to the individual.

* * *

This week **Distributors Group** released its announcement advertising on **Railroad Stock Shares**, a new class of **Group Securities, Inc.**, representing "an investment in a diversified and continuously supervised group of railroad stocks." Copies of the announcement ad, together with a descriptive folder on Railroad Stock Shares and a memorandum showing the current portfolio of this group, were mailed to affiliated dealers.

* * *

In the current issue of **Steel News**, Distributors Group reprints a bullish article on steel stocks from the June 24 issue of "Business Week." The question posed by "Business Week" at the conclusion of this analysis is one that will profoundly shock the pessimists on the steel industry. "For in the end we cannot escape the question: Do we have the steel capacity for full employment?"

* * *

Keystone Corp. presents a chart in the current issue of "Keynotes" which convincingly illustrates the vast improvement in basic values of medium-grade bonds since 1936. Taking the bonds currently held in Keystone Medium-Grade Bond Fund (B-2), between 1936 and 1943, total assets increased \$482,000,000, while total funded debt was reduced \$639,000,000. In the same period, net working capital increased \$499,000,000 and average interest coverage on the bonds rose from 1.19 to 2.30 times, an improvement of 93%.

* * *

The current issue of "Abstracts" was designed by **Lord, Abbett** "especially for use in a general mailing to any list of present or prospective holders of investment company shares." The title of the memorandum is "Approach of 'V'-Day" and it contains a summary of the advantages to the investor "through the shares of any well-managed investment trust."

* * *

Vance, Sanders & Co. points out in the current issue of "Brevits" that the ratio of brokers' loans to market value of all stocks listed on the New York Stock Exchange is currently at a low point, despite the sharp rise in market values.

"It might, therefore, be concluded that the buying that came into the market was very largely on cash basis and it follows that at the higher levels now prevailing, the market rests on a strong credit foundation."

* * *

Commonwealth Investment Co., in a current memorandum from the management staff, comments briefly on the plight of the "Do-Nothing" investor. The reason, according to this sponsor, that many small investors do nothing is because they don't want to put all their money into one security and their funds do not permit them to invest in a sufficient number of securities to get the protection of diversification. Through a mutual investment company they can get broad diversification for any amount of investment funds, however small.

* * *

Broad Street Sales Corp., in the current issue of "Items," gives some illustrations of the effect of wartime taxes on growth stocks. Average earnings per share of the stocks in the **National Investors Corp.** portfolio are shown for the past five years. The letter concludes: "The decrease or elimination of excess profits taxes should be of special benefit to growth stocks."

* * *

Calvin Bullock's "Bulletin" discusses "peace stocks" and gives examples of eliminations from the **Dividend Shares** portfolio in the past few years of stocks principally in the "war beneficiary" category. Another list, typical of the major additions to the portfolio during the same period, is given. The companies in this list are notable for their generally satisfactory position with respect to reconversion.

Mutual Fund Literature

Keystone Corp.—A revised current data folder on **Keystone Custodian Funds**; a general prospectus dated June 26, 1944, and supplementary prospectuses on Keystone S-2 and Keystone S-3, both dated June 23, 1944. . . . **Hugh W. Long & Co.**—A new prospectus on **Fundamental Investors, Inc.**, dated July 1, 1944. . . . **Lord, Abbett**—A revised composite summary of the Lord, Abbett group of investing companies; a current prospectus on **American Business Shares**, dated June 28, 1944; a letter giving current yield data on the Lord, Abbett group of funds. . . . **National Securities & Research Corp.**—Revised current information folder on the **National Securities Series** and **First Mutual Trust Fund**; the current issue of "Investment Timing," discussing price control and the OPA; a portfolio memorandum showing changes in the National Securities group of funds during June.

New SEC Rules On Liquor Stocks Trading

The Securities and Exchange Commission announced on July 7 the adoption of two new rules. "The first," says the Commission, "requires reports to be filed promptly by issuers of securities registered on a national securities exchange whenever they decide to declare dividends or distributions in the form of an asset other than cash or securities. The second rule," it adds, "prohibits over-the-counter trading in a security during any period when the Commission, for the purposes of preventing fraudulent manipulation or deceptive practices, has suspended exchange trading in that security."

The SEC also states:

"The new rules are based largely on the trading experience in the stocks of several liquor manufacturers which have recently declared dividends payable in whiskey. They are intended to prevent potential abuses in trading before adequate information is available as to the nature and amount of the asset to be distributed.

"The first of the new rules, X-13A-6 (e), is promulgated under Section 13 (a) of the Securities Exchange Act of 1934, the section dealing with periodic reports. This rule provides that, whenever a company with a security registered on a national securities exchange decides to declare a dividend or distribution, either with or without consideration, in the form of some asset other than cash, stock or a warrant for stock, it shall promptly file a telegraphic report with the Commission containing a full and accurate description of the contemplated dividend or distribution. Similar reports are required whenever the terms of the contemplated dividend or distribution are changed in any material respect, and also upon the actual declaration of the dividend or distribution.

"If the Commission finds on the basis of such a report or otherwise that the available information with respect to the contemplated dividend or distribution is inadequate to permit investors to make a proper appraisal of the value of the security, it may exercise its authority under Section 19 (a) (4) of the Securities Exchange Act of 1934 to order a temporary suspension of trading in that security on the exchange on which it is registered, pending the availability of adequate information.

"The second rule is promulgated under Section 15 (c) (2) of the Securities Exchange Act of 1934, which requires the Commission to adopt rules and regulations defining, and prescribing means reasonably designed to prevent, such acts and practices as are fraudulent, deceptive or manipulative in the over-the-counter markets. This rule, X-15C2-2, is aimed against the same potential evil in the over-the-counter markets which a temporary suspension of trading under Section 19 (a) (4) would prevent in respect of exchange trading. Rule X-15C2-2 is not limited in its application to situations contemplated by the new reporting rule, X-15A-6 (e), but will operate automatically to outlaw over-the-counter trading whenever exchange trading is summarily suspended by the Commission under Section 19 (a) (4), provided the summary suspension is for the purpose of preventing fraudulent, deceptive or manipulative acts or practices."

Dividends

Institutional Securities, Ltd.—A dividend on Stock & Bond Group shares, amounting to 37½ cents per share, payable Aug. 31, 1944 to stock of record July 31.

Quarterly Income Shares—A dividend of 11 cents per share, payable Aug. 1, 1944, to stock of record July 15.

South African Delegate At Monetary Conference Urges A Flexible Gold Standard

Dr. J. E. Holloway Says That International Monetary Fund, By Readjusting The Value Of Gold, Can Maintain Proper Relationship Between Gold And World Currencies—He Is "Not Worried About The Future Of Gold—It Will Continue To Play Its Part In The World"

The Chairman of the Delegation of the Union of South Africa to the International Monetary and Financial Conference, Dr. J. E. Holloway, in a formal statement made to a committee to the conference, stresses the importance of the proposed International Monetary Fund as "a hope for an orderly change in the relationship between gold and currencies of the future." Dr. Holloway reiterated this view at a press conference on July 7, stating, "We are not worried about the future of gold. It will continue to play its part in the world." His statement to the committee is given below in full:

I must crave the indulgence of this committee, composed as it is of experts to whom the matters to which I am going to devote myself are matters of common knowledge, for dealing with facts well known to its members. My sole object is to bring into the focus of consciousness the background against the problem of the machinery through which the Fund will operate.

It is the more necessary to sketch this background, even to such a distinguished company of experts, because the Monetary Fund approach to the problem, which we are trying to solve, is the only one which offers a hope for an orderly change of the relationship between gold and currencies in the future. I would remind you of the experience we went through when the last phase of the breakdown of the gold standard set in in 1931. We were so accustomed to the traditional stability of the relationship between gold and currency that many of us hesitated for a lengthy period before we could bring ourselves to discard that precious possession—to recapture part of which we are now devoting much thought in this conference. I refer not only to my own country. I refer to the United States of America. I refer to the gold bloc in Europe. It took us five years to accomplish that change, for the orderly accomplishment of which, if the need should again arise, we are now trying to fashion machinery. Those five years were years of trial and error, of overshooting the mark here, of under-estimating our troubles there. It ushered in that period of competitive exchange depreciation, that beggar-my-neighbor policy, which cost the world so dear. We hope to do better next time.

I believe, Mr. Chairman, that we are entering into a period in which we cannot, even when we have achieved a measure of exchange stability, hope to have that continue for such a lengthy period, as the period which ended in the early thirties.

I would remind you that during that period the economic system possessed a high measure of flexibility. It was possible on that account to adjust prices downward, and therefore to maintain a rigid measure of value.

I do not want to sidetrack myself into a consideration of the question whether the world would not be better served by a restoration of that flexibility of the economic system. Those of our generation were nurtured in the schools of economics of Europe and America in the belief that that flexibility served mankind well. As a realist I recognize that we must face a world which has moved into an era of greater rigidity of economic structure.

No longer can population by the million displaced from employment in Europe, obtain easy access decade after decade to this great republic. That element of mobility and adjustment which helped so materially to ease the unemployment problems of Europe in the 19th Century has lost most of its value.

We have, secondly, to reckon with a more rigid wage structure. Wage legislation and industrial organization have lent a greater fixity to the remuneration of labor than the worker of the 19th Century enjoyed. It is no longer possible to adjust wage costs to a fixed standard of value.

In the third place the great integration of capital in the industrial structure—the investment of millions and even hundreds of millions in integrated industrial plants—has further reduced the capacity of the economic system to adjust its costs downwards to fit into a fixed measure of value.

Yet some flexibility there must be. In a world of change we cannot work an ossified economic system.

It is for these reasons that it would appear essential to have machinery by which we can adjust the measure of value from time to time. I would go further and say that unless the world can achieve this measure of flexibility its forward march into the future will proceed from crisis to crisis.

This Fund which we are trying to create will, for the first time in history, make available the exact data by which such adjustments can be accurately determined. The Fund will, after it has been running for a few years, collect together a body of data and experience for this purpose.

The Fund's own series of statistics for its gold holding will give from month to month, from year to year, a chart of the physical condition of the economic system. If those data show that the gold holdings tend towards the upper limit, it will be *prima facie* evidence that not much is wrong, and that the relationship between gold and commodities is reasonably satisfactory. If, on the other hand, the gold tends regularly to flow away from the Fund, it will be a pointer to the possibility that some change in its value in relation to all currencies may have to be considered. The Fund will have exact statistical data for all the world of a similar kind to that which the Bank of England had for the United Kingdom in 1931 when the British Government had to make its fateful decision.

I would also in passing point out that as long as South Africa continues to play the role which it now does as gold producer, the Fund will have at its disposal further data bearing on the relationship in value between gold and commodities. It is true that the Government of South Africa can by its policies influence that relationship, but the influence which it can exert is a comparatively small one in comparison with natural factors.

The circumstance I allude to is that gold mining in South Africa has been reduced to a purely industrial basis, similar in very many ways to factory production. The gold is scattered very thinly through large bodies of rock and the amount that can be extracted depends largely on cost of production. The discovery of rich new fields has receded in importance. If, however, more gold is required, a rise in price brings within the margin of payability large bodies of low-grade ore. It will perhaps assist to illustrate how closely the production follows the price if I point out that Johannesburg is 5,700 feet above sea level, that a large number of mines are working well below sea-level and that the amount of gold extracted from one ton of ore brought up from the bowels of the earth to Johannesburg, and finely crushed, is appreciably less than the weight of an American quarter-dollar, and yet it pays.

The mining industry on the Rand therefore gives a further index to the correctness of the relationship between gold and commodities. A disturbance of the relationship in favor of commodities immediately depresses below the level of payability millions of tons of the world's gold-bearing ore.

With these indices to guide it as to the proper relationship between gold and the currencies of the world, with the need to have greater flexibility in the measure of value to make up for the greater rigidity in the economic structure, the Fund will be in a position to measure strains and stresses, much as an engineer does, when it comes to consider a general and orderly change in parities.

As the representative of the United States of America (Mr. Brown) has said, such a change should not be lightly made. Strong sanctions are therefore necessary to ensure that there is general agreement, based on accurate evaluation of the information which for the first time in the history of the world will become available when the Fund is properly under way. On the other hand, as I have tried to indicate, the Fund should not hesitate to make a change when the diagnosis which it can make on its available data shows that such a change is necessary for the economic health of the world.

Post-War Outlook for Rails

B. W. Pizzini & Co., Incorporated, 55 Broadway, New York City, have an interesting discussion of the post-war outlook for railroad securities in the current issue of their "Railroad Securities Quotations." Copies of this publication, which also contains quotations on guaranteed rail stocks, underlying mortgage bonds, reorganization railroad bonds, minority stocks and guaranteed telegraph stocks, may be had upon request from B. W. Pizzini & Co.

Now A Partnership

SAN FRANCISCO, CALIF.—The business formerly conducted by Wilson, Johnson & Higgins, Inc., 300 Montgomery Street, has been succeeded by Wilson, Johnson & Higgins, a partnership. Members of the firm are Charles C. Johnson, Russell H. Wilson, Merriam J. Howells, James M. Stewart, Madison L. Howell and Ernest O. Kauffman, general partners; Zella A. Hyman, Joseph L. Hyman, Edgar B. Stewart and Laurence D. Higgins, limited partners.

Canadian Securities

By BRUCE WILLIAMS

To close observers of the Canadian scene, it is a little bewildering to note that recent commentaries here on the political situation in the Dominion convey the impression that Canada is in the process of taking a sudden swerve to the left.

Nothing is further from the truth. Just as the whole world, including ourselves, has gone in this direction since the last war, it is not correct to suppose that this trend has lagged in any way in Canada. However, it is true that it has been somewhat veiled since the Liberal and Conservative parties have adopted increasingly leftish policies, and consequently the movement has gradually taken place but still under the old labels.

In fact, the present Liberal Government has followed a course strongly similar to that advocated by the C.C.F.; and the Progressive Conservative platform shows even closer resemblance. As far as the central bank is concerned, no left wing administration in any country has carried out the socialist doctrine to a greater degree, as exemplified by the definite State ownership of the Bank of Canada. The great Canadian National Railway system and the Trans-Canada Air Lines, which will probably have the monopoly of the national airways, are similarly controlled.

Hydro-electric power installations throughout the country, even in the supposedly more conservative eastern provinces, are publicly owned. In the field of finance the Liberal Government is also carrying out the Socialistic objective of lower interest rates, but here it has not been so consistent, and therein lies its opportunity completely to steal the C.C.F. thunder.

As previously mentioned, the growth of the C.C.F. in the western provinces has been fostered by their long-standing grievance that the Federal Government left them with a burden of debt incurred for relief purposes during the depression years of the early thirties which they claim should have been considered a national obligation. Events are now quickly moving towards a solution of this problem. Political necessity compels the Liberal Government, which in any case has worked untiringly on this problem, to make still more urgent efforts to bring this matter to a satisfactory conclusion.

Therefore, those interested in the Canadian situation would do well to be less obsessed with the idea that the left swing in Canada has just begun and that the C.C.F. version will be adopted by the Canadian people. A development of more transcending importance is the impending Dominion-Provincial conference which can bring about an amendment of the Canadian constitution and if it should result in a satisfactory settlement of the grievances of the western provinces, **the political effect could be decidedly beneficial to the Liberal Government.**

With regard to the market for the past week, there was again a state of listlessness as a result of the War Loan drive and the forthcoming elections in Alberta and Quebec. There was little change in prices but some interest was displayed in the Alberta issues on persistent rumors that efforts were being made to refund the debt of this province before the elections. Whether or not these reports are substantiated, there is little doubt, as frequently mentioned, that this problem will be settled before we enter the post-war period.

The internal bond market was quiet but there was a burst of activity in gold shares and the Canadian dollar in the "free market" firmed to 9⅝%. Current reports continue to confirm earlier predictions that after the war discoveries of gold and other precious metals in the Canadian North West will attain spectacular proportions.

Turning to future market developments, much will depend on the results of the elections in Alberta and Quebec and in the meantime operators are likely to remain on the side-lines. As in the case of Saskatchewan, the voting is likely to favor the party which is best organized. In Alberta, it appears that the Social Credit party has this advantage and in Quebec, the Liberals.

Problems Of Monetary Conference Multiply

(Continued from first page)

Keynes, is concerned with the Bank for Reconstruction and Development. The secretary is A. Upgren. It also is composed of four committees, as follows: (1) Purposes, Policies and Capital; (2) Operations; (3) Organization and Management, and (4) Form and Status.

Commission III has under its jurisdiction miscellaneous matters, stated as "Other Means of International Financial Cooperation." This section is headed by Senor Eduardo Suarez of the Mexican delegation. According to the opening announcement of its chairman, the deliberations of this commission (which has not as yet been separated into committees) is to be concerned chiefly with (1) the regulations regarding "earmarked" gold and (2) the international monetary functions of silver. Unlike the other commissions, Commission III is not dealing with specific proposals which have been the subject of extended joint consultations and study by the technical representatives of various nations, and the character and disposition of its recommendations is, as yet, undecided and it is a question whether its recommendations, particularly with regard to the future status of silver, will be approved by the conference.

The committee meetings have already gotten under way, but no final reports have as yet been submitted. The deliberations of Commission I will undoubtedly center around the policies and quotas. There appears to be some sentiment for raising Russia's quota to $1.2 billions and raising America's subscription to the fund to $2.75 billions. Britain's contribution would then be $1.3 billions and China's $0.55 billions.

The uncertainty regarding the interpretation of the position of gold in the operations of the Monetary Fund has not yet been removed, particularly the question as to whether a member country will be compelled to buy or sell gold in exchange for its own currency. The apparent British unwillingness to clarify its future policy of accepting gold from the Fund in the event sterling ever should become scarce has greatly surprised some important non-British delegates. This far-reaching and controversial point affects the whole post-war status of gold. When the point was initially raised at a committee meeting, it was agreed to discuss it only informally. Thus, it may be assumed that there was fear that a formal discussion, recorded in the official minutes, would bring into the open the chasm between the British and the American views with reference to the future status of gold. There is, however, some slight optimism over the likelihood of an agreement among U. S., British, Russian and other delegates making acceptance of gold from the fund compulsory.

Under Russian chairmanship, a committee on July 5 heard the view expressed that the draft of the experts' agreement does not require the supplying of precise data on gold production. There are under consideration two elaborate sets of required information regarding gold. One set relates to the official holdings of gold comprising (1) gold held at home and abroad, and gold-convertible currencies as defined for purposes of the fund, and (2) gold holdings of banking and financial agencies, other than official agencies, together with their holdings of gold-convertible currencies and other currency holdings. The information will also require a statement of a country's production of gold, its gold exports and imports distributed by countries of designation and origin; as well as a statement of merchandise exports and imports in terms of local currency values, segregated by countries of destination and origin. Among other information to be listed as required from member nations would be (1) its international balance of payments, comprising (a) trade in goods and services, (b) gold movements, and (c) capital transactions, together with its international investment position, i. e., investments within the country owned abroad and investments abroad owned by residents of the country; (2) a statement of the national income; (3) price indexes; (4) exchange rates and exchange controls.

A separate set of similar data is to be filed by central banks and the treasuries of the member countries. It is apparent that Russia is not yet willing to disclose her gold holdings and gold production or data relating to her foreign trade position. One reason behind Russia's secretiveness is that she views gold as good only for the purpose of acquiring foreign materials, which she will need in large amounts after the war, and that these materials could be more easily acquired by not using the machinery of the Fund.

Harry D. White, spokesman of the U. S. delegation, though denying vigorously that the gold at Fort Knox may become worthless, emphasized the fact that credit balances in the Fund will give the United States the same command over foreign exchange as gold exports. This has led one foreign delegate to state the monetary fund is "as good as the gold standard." Considering the strong possibility that dollar currency initially subscribed to the Fund will be soon exhausted, there arises the question whether Reserve banks under present laws would be permitted to lend dollars to the Fund. Moreover, Congress must decide whether our gold subscription to the Fund is to be considered as still comprising a part of the nation's gold stock.

Harry D. White

The post-war status of silver is another "sore spot" in the deliberations of the conference. I have received information that during a meeting of Committee 2 of Commission I, dealing with the operations of the International Monetary Fund, the delegate of Mexico, seconded by the Peru representative, proposed the following additional clause:

"Apart from the facilities provided under Article III, Section 2, a silver hoarding member country shall be entitled to buy from the Fund another member's currency in exchange for its own currency, in an amount not exceeding 80% of the gold value of the country's silver hoardings, which will be assigned to the Fund as collateral security."

Antonio Espinosa de los Monteros, the Mexican delegate that introduced the above proposal, issued and gave to the press a statement supporting the recommendation and explaining Mexico's position on silver. This press release, however, was withdrawn last night, and a new proposition substituted. In its tentative form, the Mexican proposal would (1) require the Monetary Fund to buy and sell gold and silver together and jointly at a fixed rate in terms of member currencies and in a ratio of, say, one ounce of pure gold to ten ounces of fine silver, and that member countries would agree to buy and sell from and to the Fund, and from and to one another, gold and silver together and jointly, at the same rate in the same ratio. The proposal goes still further. It would give the Fund the power first to alter, by a four-fifths majority vote, the proportions of gold and silver set forth above, when a permanent and fundamental change in the average yearly rate of production and consumption of both metals has taken place, and, secondly to eliminate silver entirely from its joint purchases and sales, and to permit member countries to do likewise, only when and as long as, due to an increase in price of silver, the price of one ounce of pure gold in the basic composite unit should be less than the agreed minimum of $35 per ounce.

Under the U. S. Silver Purchase Act as administered by the Treasury, any non-enemy foreign silver seller can get dollars for silver by sending the metal here. But Mexico's proposal would enable that country to get American dollars, and still keep its silver at home. Mexico's plan, in effect, would make all members' currencies monetize all silver offered.

However, these efforts for the monetization of silver are receiving a cool reception. It is firmly opposed by the British delegates. Some members of the American delegation have privately remarked that all that can be expected to come out of the silver agitation is some sort of a "favorable gesture" from the United States, notwithstanding the indifference or opposition of all other silver using countries, i. e., India, Iran, etc.

As to the attitude of the American delegation at this writing they privately indicate the intention to yield to silver-bloc demands to the extent of incorporation in the final monetary-fund plan a mention or recognition of the monetary status of silver in some manner that will be "quite harmless" and "at most a gesture." One may infer that silver advocates in Congress, notwithstanding the recent endorsement by 25 senators of the bimetallism campaign of Mr. Francis H. Brownell, state they would be appeased by a "gesture."

It is worth while recalling what a silver "gesture" in 1933 has cost. At the world conference in London that year, Senator Key Pittman of Nevada, one of our delegates, worked continuously to get the conference to take some action to improve the price of silver. All that he could get an indifferent group of 64 nations to do was to approve a resolution, adopted by a subcommission, suggesting that the countries most concerned with silver get together and work out their problem. In other words, the resolution meant that the conference did not want to be bothered with the subject. How the resolution was regarded is indicated by the caption of the news report of it in the New York "Times" of July 9, 1933: "Saving

of Faces Is Seen in Action of Conference."

Although everywhere the silver resolution was viewed as a meaningless "gesture," in December, 1933, President Roosevelt by proclamation opened the mints to newly-mined domestic silver at a high premium above the market price, giving as his reason for so doing that it was "to carry out the understanding between the 66 governments that adopted the resolution." Actually, a resolution was no "understanding" at all, unless among the silver interests and members of the Congress playing their game.

The 1933 proclamation in turn whetted the appetite of silver sellers and speculators. Although the President — through a statement made in the Senate by Senator Robinson — revealed he had thought to appease the silver bloc with his proclamation, he had only thrown fuel on the burning desire for broader silver-purchase legislation. The silver speculators, who wanted their holding nationalized by the Government, under the leadership of Father Coughlin and his weekly Sunday "discourses" on silver, demanded legislation. The House coinage committee, chairmaned by Cong. Andrew Somers of New York—who is now at Bretton Woods, where he creates the impression that he sees no harm in bimetallism—reported out two silver-purchase bills. One of these, that of Congressman Martin Dies of Texas, became eventually the Silver Purchase Act of 1934.

Even so, the silver bloc were not appeased, but high-pressured the Administration into buying silver on such a gargantuan scale that the coins constituting the circulating medium in China and elsewhere were drawn to the melting pot for sale to the United States, with consequent economic disturbance that caused the Chinese Government to lodge a series of protests with the American Government. Other countries, too, experienced consequent monetary disturbance and, in all, more than a dozen countries were forced to embargo the exportation of silver to protect their currency systems from the ravages induced by American appeasement of the silver bloc.

In 1939, by further fanagling, the Congressional silver bloc obtained legislation making perpetual the subsidy to newly-mined American silver which had been launched for a supposedly-limited period by the 1933 proclamation. Now the mints of the United States are open indefinitely to receive American silver without maximum limit. The Silver Purchase Act, which caused so much serious disturbance and the benefits of which went mostly abroad, is still the law of the land. And the silver bloc in Congress, well organized and skillfully guided, is as insatiable as ever.

Aside from the post-war status of gold and silver, the problem of "blocked balances" is a troublesome one. Lord Keynes in a formal statement made before Commission I on July 10 reminded his audience that the United Kingdom is the only country among the represented nations which has incurred large-scale war debts to her allies and associates, but despite the heavy burdens of the war, and the sacrifice of over-seas assets, "we do not intend to ask assistance in this matter from the International Monetary Fund." He pointed out, however, that the existence of the Fund, by the general assistance it will give to the stability and expansion of trade, "may be expected to improve indirectly our ability to meet other obligations."

The Keynes statement and the unwillingness of the United States and Great Britain to consider the subject of "blocked balances" further at the conference, apparently was disappointing to India's delegation. They expressed the belief that one-tenth of the fund could be used over a period of five years to liquidate various blocked balances. What India would really like would be the "dollarization" of the blocked sterling balances.

This appears to her delegates as more important to India's economy than monetary recognition of silver. "Silver is not important in connection with this fund," said Sir A. J. Raisman, Chief of India's delegation, adding that "India is not interested in silver as a monetary metal."

That the problems under consideration by the Conference tend to expand and multiply is indicated by the appointment of three additional ad hoc committees on July 10, one on "the use of silver for international monetary purposes, a second on enemy assets, looted property and related matters and a third to deal with recommendations on economic and financial policy, the exchange of information, and other means of financial co-operation."

Dewey 'Inevitable Man' For U. S., Says Mrs. Luce Candidate Confers With Connecticut Delegation

Comment to the effect that President Roosevelt "may be the indispensable man for the Democratic party, but Mr. Dewey is the inevitable man for the U. S. A.," came from Representative Clare Booth Luce of Connecticut, on July 11, incident to the announcement that President Roosevelt would accept the nomination for a fourth term. The remarks of Mrs. Luce were indicated in Albany advices, July 11 to the New York "Herald Tribune" by a staff correspondent. Mrs. Luce on that date conferred in Albany with Gov. Thomas E. Dewey, Republican Presidential candidate, in company with the members of the Republican Congressional delegation from Connecticut. The remarks by Mrs. Luce were her sole comment on the President, and the other members withheld comment, said the special advices to the "Herald Tribune," from which we also quote:

When Mr. Dewey was informed of the Roosevelt announcement earlier in the day he said he had "no comment."

Of her impressions of Mr. Dewey she said: "I have not met such a capable, far-sighted and shrewd politican since the last time I had a meal with Mr. Roosevelt. I was enormously impressed with Mr. Dewey. I had met him before but never had such an opportunity for full discussion with him as now.

She was asked if she brought any tidings to Mr. Dewey from Wendell L. Willkie, 1940 Presidential candidate. She replied that Mr. Willkie was not discussed. Then, when asked what she thought Mr. Willkie would do in the campaign, she replied: "I think Mr. Willkie will do the right thing. I don't know because I haven't talked with him for some time about political matters. I think he will support the Republican party."

Mrs. Luce said that Governor Dewey "brought a remarkably fresh mind" to the problems under discussion at today's conference. Matters actually discussed with Mr. Dewey were outlined to reporters by Sen. John A. Danaher, head of the Connecticut delegation. . . .

Mrs. Luce said Mr. Dewey favored an international organization to keep the peace and quoted him directly as using the words "by force if necessary." She was asked if she regarded the use of those words by Mr. Dewey as expanding the foreign policy plank of the Republican platform.

She replied:

"I was on the committee which drafted the platform, and it seemed to me there was never any doubt among any of us but that it meant we would join Great Britain, China and Russia in keeping down or preventing the rise of aggressor nations. Every member of the platform committee was of that mind."

She was asked if there was a distinction between "by force if necessary" and an international police force, with a reminder that Mr. Dewey in his press conference at Chicago placed himself on record as being against such a police force.

"Well," she asked in return, "is any other nation in favor of such a force?"

Explaining the Republican view she said "force" would mean the combined efforts of Great Britain, China, Russia and the United States to prevent the rise of aggressor nations.

"Why wouldn't that mean a combined military force with an independent command?" she was asked. She replied: "Not any more than there is now. Nobody is for that, including Mr. Roosevelt, and the other Allied nations are not for it, either. The force would be used by collaboration among the nations within the framework of an international organization."

"Naturally," she went on, "this nation will rise to defend itself. Apparently every one has in mind that what is projected at this moment is a Council or League of Nations, call it what you will—a League with more power in the hands of those nations which are strong enough to bear the burden of the responsibility."

She was asked if such views coincided with the viewpoint of Col. R. R. McCormick, isolationist published of "The Chicago Tribune." She replied that she had never spoken for Col. McCormick and didn't propose to do so now; that "he has an organ of self-expression which he will use in his own time."

She said Mr. Dewey passed most of his time at the conference trying to arrive at a general philosophy of government for the United States in the years ahead, rather than discussing any particular thing which might be useful or expedient in the campaign.

"He discussed the campaign, as a campaigner, very little," she said. "He seemed more interested in what promises could be kept as well as made to the great masses of people in America for the prosperity, decent, useful and happy life of the ordinary fellow who gets less than $3,000 a year."

Explaining Mr. Dewey's views on foreign policy, she said, "He seemed to be of the mind that there was a vast area of agreement in the Republican party and in the nation that this country should join an international organization to keep the peace, in collaboration with other nations, and I use his own words, 'by force if necessary.'"

She said she expected to campaign for Mr. Dewey wherever and whenever he wanted her to, but that Mr. Dewey has not discussed the matter with her. She said no such thing as a national campaign tour by her had been planned. "I've got campaigning to do in my own district," she said. Asked if she would win reelection, she replied with a smile of confidence, "I think I'll win."

Senator Danaher summed up his impression of Mr. Dewey by saying, "I have just come from a meeting with Governor Dewey, and I was enormously impressed. We had nearly three hours of discussion. And to those of use who are on the Federal scene, where as as committee members we were brought into close contact with government problems, one couldn't but be struck by Governor Dewey's facility to turn from topic to topic—such as post-war opportunity, continued employment, which you can understand that we, coming from an industrial State like Connecticut, consider of prime importance.

"He also discussed trade with other countries; the development of a strong domestic economy which we hope will be an adequate balance for the various elements of our economy. We talked about taxation, both on the individual and business levels, having in mind particularly the opening up of incentives to business, not only for the advantage of employee groups, but also from the standpoint of assisting the Federal Treasury to have adequate access to continued sources of revenue.

"We talked about the general program of the wholehearted cooperation of the Congressional delegation in Connecticut in its enthusiastic support of our convention nominees. It pleased us to give Governor Dewey assurance that Connecticut will go Republican."

Asked if they discussed such matters in connection with campaign policy, he said: "Not nearly so much as that, but more as the basis for a general over-all meeting of minds, in which we achieved a mutuality of understanding with reference to those and other problems." He said world cooperation was discussed and "particularly our complete subscription to the foreign-policy plank of the Republican platform."

In the delegation besides Mrs. Luce and Mr. Danaher were Representatives Ranulf Compton, John D. McWilliams, Beleslaus J. Monkiewicz and Joseph E. Talbot.

Mr. Dewey also conferred this afternoon with Herbert Brownell, Jr., Republican National Chairman, who remained over night and with George B. Rowell, Massachusetts Republican State Chairman.

Mr. Rowell, who was accompanied by Carroll L. Meins, former Massachusetts State Chairman, discussed organization matters with Mr. Dewey and Mr. Brownell. He was the first State Chairman Mr. Dewey has conferred with here since his nomination. Mr. Rowell told Mr. Dewey he would carry Massachusetts in the November election.

"We'll get out and work, and we'll do it," Mr. Rowell told reporters, after seeing Mr. Dewey. He said he hoped the Presidential candidate would make one of his major campaign speeches in Massachusetts, but said no decision was made at today's conferences.

Public National Attractive

Stock of the Public National Bank and Trust Company of New York offers interesting possibilities for investment, according to a memorandum issued by C. E. Unterberg & Company, 61 Broadway, New York City. Copies of this memorandum outlining the situation may be had upon request from C. E. Unterberg & Co.

Attractive Situation

H. H. Robertson Company offers an attractive situation (the issue is tax free in Pennsylvania), according to an interesting memorandum being distributed by Buckley Brothers, 1529 Walnut St., Philadelphia, Pa., members of the New York and Philadelphia Stock Exchanges. Copies of this memorandum may be had upon request from Buckley Brothers.

Blocked Sterling Balances

(Continued from page 170)

"The various members of this alliance have suffered in mind, body and estate from the effort and exhaustion of war in ways differing in kind and in degree. These sacrifices cannot be weighed one against the other. Those of us who were most directly threatened and were nevertheless able to remain in the fight, such as the U. S. S. R. and the United Kingdom, have fought this war on the principle of unlimited liability and with a more reckless disregard to economic consequences than others who were more fortunately placed. We do not plead guilty to imprudence; for in the larger field of human affairs nothing could have been less prudent than hesitation or a careful counting of the cost.

"But as a result there has been inevitably no equality of financial sacrifice. In respect of overseas assets the end of the war will find the United Kingdom greatly impoverished and others of the United Nations considerably enriched at our expense. We make no complaint of this provided that the resulting situation is accepted for what it is. On the contrary, we are grateful to these Allies, particularly to our Indian friends, who put their resources at our disposal without stint and themselves suffered from privation as a result. Our effort would have been gravely, perhaps critically, embarrassed if they had held back from helping us so wholeheartedly and on so great a scale. We appreciate the moderate, friendly and realistic statement of the problem which Mr. Shroff has put before you today. Nevertheless the settlement of these debts must be, in our clear and settled judgment, a matter between those directly concerned. When the end is reached and we can see our way into the daylight we shall take it up without any delay, to settle honorably what was honorably and generously given.

"But we do not intend to ask assistance in this matter from the International Monetary Fund — beyond the fact, as the American delegation has pointed out, that the existence of the Fund and the general assistance it will give to the stability and expansion of trade may be expected to improve indirectly our ability to meet other obligations. We concur entirely in the view which has just been expressed by the American delegation that the Fund is not intended to deal directly with war indebtedness.

"Since we do not intend either to ask for, or to avail ourselves of, any special treatment from the Fund, it appears to the United Kingdom delegation that this amendment could be of no practical effect; and is therefore better discarded if misunderstanding is to be avoided about the role which the Fund can be expected to play."

United States' Position

The statement of the U. S. delegation follows:

"We are all cognizant of the importance of the problem of wartime indebtedness so ably presented by the delegate of India. We are confident that the problem can best be settled directly by the countries concerned, however, and we doubt the advisability of attempting this through the International Monetary Fund.

"We must be sure that the work of the Fund is not made more difficult by burdening it with tasks which it cannot successfully undertake. Recognition of this fundamental principle led the technical experts to recommend that the International Monetary Fund should not be used for purposes of relief or reconstruction or for meeting indebtedness arising out of the war. The Fund can contribute most effectively to the solution of international monetary problems if it confines its work to the specialized tasks for which it is designed.

"While the International Monetary Fund cannot deal directly with indebtedness arising out of the war, we are confident its operations will facilitate the development of an environment of orderly and stable exchanges free from restrictions that hamper world trade—an environment in which the problem of wartime indebtedness can be amicably settled by the countries directly concerned.

"The Fund can contribute a good deal in this way to the ultimate solution of the problem of wartime indebtedness. It is all that the Fund can be sure of doing. To ask more is to impose on the Fund the danger of failing to perform the other and more specific tasks for which it is intended and for which it is suited.

"The United States delegation expresses its sympathetic understanding of the importance of this problem to India. The United States delegation hopes that the alternatives proposed by the delegate of India will not be pressed. We are confident that the problem of wartime indebtedness can best be settled directly by the countries concerned in a spirit of mutual understanding."

India's Stand

The position taken by Lord Keynes and the U. S. delegation was opposed by A. D. Shroff, member of the Indian delegation, who made the following statement before the committee to which the problem is referred:

"Mr. Chairman, at the outset I should like to have your ruling on one matter which would probably facilitate discussion and disposal of this item. In Committee I of Commission I, we discussed on two separate occasions Alternatives G and H. As the result of these discussions, the Indian delegation has tabled Alternative K, which has not yet been discussed by Committee I. I suggest, Sir, for your consideration that Alternative G, Alternative H and Alternative K may all be discussed together.

"I will now place before Commission I Alternative K tabled by our delegation which reads as follows: To facilitate the multilateral settlement of a reasonable portion of the foreign credit balances accumulated amongst the member countries during the war so as to promote the purposes referred to in Subdivision 2, without placing undue strain on the resources of the Fund.

"At the time we discussed Alternatives G and H in Committee I, two principal objections were raised. The delegate from the United States opposed both of these alternatives on the ground that the inclusion of this item will overload the Fund. From the very start when we placed our alternatives for consideration before this Conference, we were absolutely clear in our minds and when I spoke at one of the meetings of Committee I, I endeavored to clear up that misunderstanding that we never intended the International Monetary Fund, when it was set up, to take over straight away in one lump sum the entire accumulated credit balances during the war. In explaining particularly the situation of India, I also made it clear that considering the very close commercial ties between the two countries, it is more than likely that a very large proportion of the sterling balances we have accumulated in London over a period of years will be used in buying goods of both categories — consumer and capital goods from the United Kingdom. At the same time, I pointed out that if we are going to be realists, we must consider the actual situation in the United Kingdom today and in the post-war period. I refer, for instance, to the unfortunate loss of valuable foreign investments by the United Kingdom and, I may add, the necessity today of rehabilitation of some of the industries of the United Kingdom and the necessity of reducing at least some of the tremendous privations which are being borne by the population of the United Kingdom during the last four and a half years. All these factors will tend to reduce the capacity of the United Kingdom to give us the goods which we badly need. That being so, our position is this: Considering the primary objective of the International Monetary Fund, namely, the facilitation and expansion of international trade and, secondly, a high level of employment and real income—we attach very great importance to the definition of the primary objective — and taking into consideration the inability of the United Kingdom at least for a fairly long period from now onwards to meet the requirements of our capital goods, I submit to this Conference that if a country situated as we are is to be enthusiastic for international collaboration, then some means has to be devised by which multilateral convertibility would be given at least to a certain proportion of the large balances we have accumulated in London. I fail to understand the argument of the United States delegate that the International Monetary Fund would be overloaded if this item was included among the purposes of the Fund. We are here met at the instance of the sponsors of this Conference to tackle a very big problem. I ask, are we realistic enough in tackling this problem without adequate resources in the Fund? There are billions of accumulated balances abroad. As I said in Committee I, are we not simultaneously with the establishment of the Fund creating a sort of rival to the Fund? And I ask whether it would be advisable to ignore the existence of these balances? My answer to the delegation of the United States is that you will not unduly overload the fund if you create machinery for multilateral convertibility for a reasonable portion of these accumulated balances. The resources available to the Fund for tackling the problem are in my judgment inadequate and look rather like sending a jellyfish to tackle a whale. What I ask for is a multilateral settlement of a portion of our balances. If the Conference is prepared to accept the principle of our amendment, then I see no difficulty at all in evolving a concrete formula by which the two purposes set out in our amendment can be met. The purposes set out in our amendment are two: To secure multilateral convertibility for a reasonable portion of our balances and, secondly, to devise a formula so as not to place undue strain on the resources of the Fund. I think, Sir, talking among friends, it may be as well to speak frankly about this question. We have not disguised from the Conference the very strong feeling in our country on this question. I am sure that the sponsors of this Conference are seeking collaboration from all countries of the world known as the United and Associated Nations. It may be that unfortunately situated as we are politically perhaps the "big guns" in the Conference may not attach great importance to a country like India. But I am bound to point out this, if you are prepared to ignore a country of the size of India, with four hundred million population and with natural resources though not fully developed, yet not incomparable to the natural resources of some of the biggest powers on this earth, we cannot be expected to make our full contribution to the strengthening of the resources of the Fund. Suppose you don't accept our position, you are placing us in a situation which I may compare to the position of a man with a million dollar balance in the bank but not sufficient cash to pay his taxi fare. That is the position you put us in. You want to facilitate the expansion and balanced growth of international trade. You incidentally want to build up a high level of employment and real income throughout the world as a whole. Mr. Morgenthau in his very fine opening address said "Poverty is a menace wherever it is found." Do you expect to fulfill the main objectives of this Fund if you allow large countries to be festered with this sort of poverty? I would like this Commission to face this question in a very realistic spirit. I am sure everybody here needs the collaboration of everybody else, but if that collaboration has to be obtained realistically, you will make it possible for all countries in the world to be associated with you. I beg of you, Commission, to deal very dispassionately and sympathetically with the problem I put before you. Thank you very much."

Max Jacquin, Jr. Named Asst. V.-P. Of NYSE

Emil Schram, President of the New York Stock Exchange, announced on July 10 the appointment of Max Jacquin, Jr., as an Assistant Vice-President of the Exchange. He has been an Assistant Secretary since June, 1939, and has been with the Exchange in various capacities for 15 years.

Bright Possibilities

Giant Portland Cement is a low-priced stock in an industry with a bright future and offers interesting possibilities, according to a circular prepared by Lerner & Co., 10 Post Office Square, Boston, Mass. Copies of this circular may be had from Lerner & Co. upon request and also a circular on Riverside Cement class A which the firm believes is an outstanding cement stock with a dividend arrearage.

Attractive Situations

Laclede-Christy Clay Products Co. common, which is listed on the St. Louis Stock Exchange, offers an interesting situation, according to a memorandum issued by Herzog & Co., 170 Broadway, New York City. Copies of this memorandum and also circular on Bartgis Bros. and Federal Screw Works may be obtained from Herzog & Co. upon request.

Rails Offer Interest

Gary Railways common and Memphis Street Railway preferred offer interesting possibilities, according to memoranda issued by Bittner & Co., 80 Broad Street, New York City. Copies of these memoranda, into which are incorporated news of recent developments in the situations and earnings, may be had from Bittner & Co. on request.

Post-War Taxation Plan Proposed By Minneapolis-St. Paul Group

Calls For Lower Personal Income Taxes, Maintenance Of Relatively Heavy Corporation Levies, And An Exclusion Of 40% Of Dividends Paid From Estimates Of Corporate Gross Income—Recommends A 5% Sales Tax

After a period of 14 months study, a group of industrialists, financiers, tax lawyers and other business and professional men of the Twin Cities of Minneapolis and St. Paul, Minnesota made public on July 10 a post-war federal tax plan. The main object of the plan is the encouragement of venture capital and the stimulation of production as a means of achieving the goal of providing jobs for all who are willing to work. The thesis back of the proposals that "relatively heavy corporate income tax rates are not so harmful to the private enterprise system as are heavy individual income tax rates, for the reason that the latter shut off the source of all possibility of venturing capital by individuals."

Accordingly, the plan advocates that, after repeal of the excess profits tax, the current high normal and surtax rates, ranging up to 40%, be retained for corporations, and that substantial reductions be effected in the surtax rates on individual incomes. Incentive for investments in corporate risk ventures, held to be the job-providing backbone of the national economy, must be provided, the plan contends. To furnish such incentive, and as a step toward eliminating the inequitable burden and alleviating the incentive-destroying effects of the present method of taxing corporate earnings, once at full rates as earned, and again at full rates when distributed to stockholders, the plan offers a new method of taxing dividends. It proposes that 40% of dividends received by individual stockholders from domestic corporations be excluded from gross income, and that the individual then pay the tax called for in his own bracket on the 60% reported.

The plan estimates:

A national debt which may reach $300 billion, interest on which would be some $6 billion annually, or approximately as much as was spent, on the average, for the conduct of the entire Federal Government in the high-cost, pre-war decade.

A post-war Federal budget of $18 billion, without any provision for creating work as a means of relieving unemployment. This is approximately equal to three times the average annual expenditures and some five times the average annual tax collections during the years 1931 through 1940.

A total tax bill of some $27 billion, the cost of State and local governments being estimated at $9 billion in addition to the $18 billion Federal expenditures.

A national income of $120 billion, based on 1942 price levels, will be required in order to avoid substantial unemployment. This represents an increase of more than one-third over the highest previous peacetime national income of 1929; is three times as great as the national income of 1932, the depression's lowest year, and more than twice the average national income for the ten pre-war years, which was $59.1 billion.

As a stimulus to investment, as well as on the ground that there is no justification for taxing gains and disallowing losses, certain changes are recommended in the present "capital gains" provisions of the Internal Revenue Act. It is urged that losses be allowed on the same basis as that on which gains are taxed, and that the rate be reduced, both as to individuals and corporations. Capital gains, it is further recommended, should be defined as provided by the Revenue Act of 1942, except that assets held for six months or less would not be classified as capital assets.

Stressing the need for immediate adoption of post-war tax policies, in order that the American free enterprise system may plan intelligently and successfully, the Twin Cities plan lays heavy emphasis on virtually full employment under that system as being vital to sustain the high level of economy that will have to prevail if the obstacles presented by the unprecedented post-war national debt and other war-fostered fixed charges are to be overcome.

"The greatest incentive to business to plan its post-war course now, and one which would result in a speedy and orderly resumption of peacetime operations and employment, would be the enactment into laws, as soon as possible, of a tax program in its entirety that would become effective at the cessation of hostilities. No 'piecemeal' adjustment of taxes should be tolerated, as this procedure prevents proper long-term planning by business."

Examples of how the present Federal tax policy and high progressive tax rates on individual incomes cause the incentive for equity investment in corporations to "decline to the vanishing point as the capacity of the individual to make investments increases," are contained in the Twin Cities plan.

Sanity In Expenditures

Sanity in expenditures is as much a part of the tax program as is the tax levying itself, and therefore, expenditures must be kept to the minimum consistent with good government. Waste—for non-essential services, or overmanning, or improper work methods, or unnecessary public works improvements—is an unfair burden upon the taxpayers and upon the nation's economy.

Proper Planning

Tax revenue must be adequate to meet cost of government. This does not necessarily mean that there must never be a deficit at the end of a fiscal year. It does mean, however, that over a short period of years the income must balance the outgo. Proper financial and tax planning will make this possible. The integrity of the national debt must be preserved. Congress must pledge to the people that all surpluses will be used for debt retirement in the immediate post-war period, and must also give assurance that as soon as the peacetime economy assumes sufficient form to permit such a course, a definite plan for systematic debt retirement will be instituted.

Private Venture Capital

Private venture capital must be made available by not taxing the investor so heavily as to preclude him from building up surpluses and investing them in the hope of sufficient ultimate rewards. Net losses, which must be contemplated when capital is ventured, must be treated in a fair manner.

Distributing The Burden

The present method of taxing corporate earnings must be alleviated. It is unfair and repressive of enterprise, and places too great a burden on the business dollar.

When a corporation pays a tax on its net earnings, the tax is, in reality, a tax upon the stockholders. Revenue requirements in the post-war period will call for a relatively high tax on corporate earnings. The least harmful method will be to distribute the tax burden between the corporation and the stockholders by taxing the corporate earnings as earned and *only a part of the dividends when received by the stockholders.*

In concluding its report, the Twin Cities group states:

. . . "It is felt that the post-war period, with its innumerable uncertainties, is no time to attempt to follow ingenious new theories for Federal taxation which will have undetermined repercussions on the economy and pile additional uncertainties upon business management. It is believed that the proposals herein set forth provide each individual the maximum opportunity possible to make his contribution to further increases in employment and income which are necessary if this country is to continue in the post-war period the progress which has made it the greatest nation on earth."

In addition to those previously mentioned, the following recommendations for internal revenue code changes are made by the Twin Cities plan:

Repeal the excess profits, capital stock and declared value excess profits taxes, as well as the 2% penalty imposed for filing consolidated corporate returns, together with the tax on intercorporate dividends.

Permit net operating loss deductions to be carried forward for each of the five succeeding taxable years. For the two taxable years following the repeal of the excess profits tax, permit net operating losses to be carried back for each of the two preceding years, or forward, at the option of the taxpayer.

Retain for two years the unused excess profits credit provisions of the excess profits act, after repeal of the excess profits act itself, and compute the unused excess profits credit just as though the law were in effect, permitting such credit to be carried back for the two preceding taxable years.

In reporting capital gains and losses, include 100% for corporations, and 50% for other taxpayers.

Allow as an alternate tax on corporations the following:

(1) Net Capital Gain. Tax computed on the net income (excluding capital gains) at the regular rates plus 12½% of the capital gains if, and only if, this tax is less than the tax computed on the entire net income (including the capital gains) at the regular rates.

(2) Net Capital Losses. Tax computed on the net income (excluding capital losses) at the regular rates less 12½% of the capital losses if, and only if, this tax is greater than the tax computed on the entire net income (less capital losses) at the regular rates.

Allow as an alternate tax on taxpayers other than corporations the following:

(1) Net Capital Gains: Tax on the net income (excluding capital gains) at the regular rates, plus 25% of the capital gains if, and only if, this tax is less than the tax computed on the entire net income (including the capital gains) at the regular rates (which is an effective rate of 12½%).

(2) Net Capital Losses: Tax computed on the net income (excluding capital losses) at the regular rates, less 25% of the capital losses if, and only if, this tax is greater than the tax computed on the entire net income (less capital losses) at the regular rates (which is an effective rate of 12½%).

The existing methods of treating gains and losses from compulsory or involuntary conversion and from dispositions of certain property defined as "property used in the trade or business" would be retained. If the recognized gains from such dispositions, plus the recognized gains from such conversions of property held for more than six months exceed the recognized losses from such dispositions and conversions, the net gain is considered as a gain from the sale or exchange of a capital asset held for more than six months. If a net loss results from such dispositions and conversions such net loss is deductible from ordinary income.

A retail sales tax of 5%, with no exemptions.

Retain the withholding and other current tax payment provisions, and make every effort to improve them.

Make any increase in tax rates effective for the following taxable year, and never retroactive, with relief amendments made optional with the taxpayer.

ABA Staff Presents Gift To Paul F. Cadman

Dr. Harold Stonier, director of The Graduate School of Banking and executive manager of the American Bankers Association, presenting a silver tray on behalf of the ABA's staff to Paul F. Cadman, who resigned on June 30 to become director of research and assistant to Henry Kaiser, noted industrialist and shipbuilder.

Dr. Cadman was economist for the American Bankers Association from January, 1940 until June 30, of this year. He was also a member of the faculty of The Graduate School of Banking and one of its seminar lecturers.

"The 5% Rule Is, In Law And In Fact, A Rule"

(Continued from page 171)

take any action pursuant to Section 15A (k) of the Securities Exchange Act of 1934 as amended."

Action by the Commission is, under the statute, appropriate in any matter involving the public interest, the protection of investors, or the administration of the affairs of a registered securities association. All of these subjects are affected by the contents of the rule complained of, and affected as well by the manner of its adoption. As perceived by the dealer on whose behalf this brief is filed, the issues before the Commission therefore are:

1. The subject matter of the rule.
2. The manner of its adoption.
3. The Commission's jurisdiction of and function in the matter.

The Facts

The National Association of Securities Dealers, Inc. is a voluntary association created pursuant to authority contained in Section 15A of the Securities Act of 1934 as amended, and was incorporated under the laws of Delaware on or about Sept. 1, 1936.

Under the statute and under the provisions of its certificate of incorporation, the association was authorized to adopt, and it did adopt, appropriate by-laws for the regulation of its internal affairs as well as rules for the regulation of dealings between its members and the investing public. Article III of said rules, entitled "Rules of Fair Practice," in Section 1, provides as follows:

"A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

The affairs of the National Association of Securities Dealers, Inc., are administered by a Board of Governors elected as provided in its certificate of incorporation and by-laws. Under date of Oct. 25, 1943, the Board of Governors then in office announced to the membership of the association, that the above quoted rule (Section 1 of Article III) was to be interpreted as meaning that,—

"It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."

Thereafter and under of Nov. 9, 1943, the Chairman of the Board of Governors and the Executive Director of the association, referring to the above-mentioned action of the Board, announced that,—

"The general import of this statement and the construction that should be placed upon it is that, when transactions show a mark-up of over 5% on the part of a member, it raises the question as to whether there is a violation of the rule and interpretation. In such a situation, a duty is imposed upon the member to show to the satisfaction of the Business Conduct Committee that no violation has occurred."

In the above-mentioned communication of Nov. 9, 1943, the date of enforcement of the "standards" so set forth was fixed as being the date of receipt by the member of the communication of Oct. 25, but not later than Oct. 31, 1943.

Argument

I. The "5% Rule," so called, is in law and in fact a rule.

II. The grant of legislative power to the NASD is an invalid grant, unless so restricted as to protect the members of the association.

III. The Board of Governors had no power to adopt or amend any rule without submission of the proposal to the members for their vote.

IV. The rule, on its merits, is uneconomic and an improper restriction on a member dealer's freedom of action in his business.

V. The Securities and Exchange Commission should by order abrogate forthwith the so-called "5% Rule."

I
The Rule

The Rules of Fair Practice of the National Association of Securities Dealers, Inc. (Article III, Section 1) speak as follows on what might be called "the greatest and the first commandment":

"A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

A proper and high-sounding statement of underlying principle with which no dealer, in fact, no right-thinking person in any commercial pursuit, would even think of disagreeing. That rule was duly adopted and was subscribed to by every member of the National Association of Securities Dealers, Inc. Every such member knew, or thought he knew, that that rule and every other rule would stand unchanged and unchallenged until he had spoken. He knew, or thought he knew, that there stood above him no one with power to cross a "t" or dot an "i," to insert a word or add a comma, except upon submission of the proposed change to the franchise of himself and his fellow members. He could be excused for his gullibility; did not the Association's statutes (By-laws, Article VII, Section 1) assure him that the Board of Governors would submit, must submit, forthwith to its members for their vote any rule **or amendments?** Does he now find that, by double talk, the whole arrangement can be made a trap for the unwary and that his signature has been placed upon a blank note?

It is clear that a rule or an amendment must be submitted for vote. By a play upon words the pronouncements of Oct. 25 and Nov. 9, 1943 are not so characterized; they constitute not a "rule," not an "amendment," but an "interpretation." We had a rule, a proper rule properly adopted; next we had an interpretation on Oct. 25; then we had, on Nov. 9, an interpretation of the interpretation. What comes next? Enforcement! Not enforcement of a rule, but enforcement of an interpretation. And let there be no mistake about that word, for in the fifth paragraph of the Nov. 9 letter, two officials of the National Association of Securities Dealers, Inc. fixed the date for "enforcement," and so described it. We submit that anything which can be enforced is, very mildly speaking, a rule; and it is a rule by whatever name called. We submit further that anything which changes the import of a rule is, again mildly speaking, at very least an amendment.

As to enforcement, we find that a member can be censured, suspended, expelled, even fined (By-laws, Article VII, Section 3). We find further that a dealer member can even be sentenced to death—economic death—by being deprived of his standing as a dealer and being forced to buy and sell both at retail (Rules, Article III, Section 25). Again we submit that that should not be true, and cannot be true, except pursuant to a rule. As a matter of plain fact, the enactment of the Board of Governors, however described, is equivalent to a law.

II
Grant of Legislative Powers

The certificate of incorporation of the National Association of Securities Dealers, Inc., standing by itself, is a purely innocuous document. It might have been filed as a charter by A. B. C. & Co., Inc., and would have no public force or public significance whatsoever; it might arrogate to the incorporators power to make the sun rise in the west and set in the east and, while that would be a bit spectacular, no informed person would seriously devote a busy working day to seeing it happen.

When, however, the NASD is registered under the terms of the Maloney amendment and becomes a quasi-public regulatory body, its power becomes a matter of great importance. Then if it claims a power to do thus, or to do so, it becomes appropriate to inquire into the source of the power which it claims and assumes to exercise. Inquiring, we find that it actually is vested with legislative powers, for Article "Third" of its charter provides that it shall have power,

"To adopt, administer and enforce rules of fair practice and rules to prevent fraudulent and manipulative acts and practices, and in general to promote just and equitable principles of trade for the protection of investors."

If this provision stood alone, one would be startled: a voluntary, private corporation vested with such power? A most unwise delegation, and patently invalid! Surely, sight could not be lost of the distinction between public and private bodies in the delegation of legislative powers. Surely, there must be some limit on such a grant.

There is. The delegation which would otherwise be so un-American and so dangerous is strictly circumscribed by the by-laws (Article VII, Section 1) which provides that,—

". . . The Board of Governors, upon the adoption of any such rules of fair practice or amendments thereto, shall forthwith cause copies thereof to be sent to each member of the Corporation to be voted upon. If any such rules of fair practice or amendments thereto are approved by a majority of the members voting, provided, however, that a majority of all members of the Corporation have voted, within 30 days after the date of submission to the membership, and are not disapproved by the Commission as provided in Section 15A of the Act, they shall become effective rules of fair practice of the Corporation as at such date as the Board of Governors may prescribe."

In the charter of the NASD, among its corporate purposes, we find under the number (4),—

"To promote self-discipline among members, and to investigate and adjust grievances between the public and members and between members."

So long as care is taken to see that the enactment of a rule by the governing board which happens at the moment to be in power is submitted for approval to the membership before becoming effective—as is provided by Article VII, Section 1, of the by-laws, there can be a comforting feeling of assurance that **self**-discipline is really being promoted. But if, as is currently reported, some 85% of the membership of the NASD stands arrayed in opposition to a rule, how possibly could it be claimed that the membership is controlling its own actions, and how possibly could such a rule become of force and effect? In no wise other than by circumvention, seems to be the plain answer.

An attempt, an obvious attempt, at circumvention has occurred here. Paying lip service to the law, grasping at the shadow while the substance escapes, the governors would have us submit to an "interpretation" rather than to a "rule."

III
The Board Had No Power

Taken together, the two "interpretations" herein discussed have accomplished a substantive change in Rule 1 of the Rules of Fair Practice. If the change is valid, it no longer consists of the simple 22 words in which it was originally stated, but has had added to it by decree 41 additional words, reading:

"It shall be deemed conduct inconsistent with just and equitable principles of trade for a member to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security."

and 74 more words, reading:

"The general import of this statement and the construction that should be placed upon it is that, when transactions show a **mark-up** of over 5% on the part of a member, it raises the question as to whether there is a violation of the Rule and interpretation. In such a situation, a duty is imposed upon the member to show to the satisfaction of the Business Conduct Committee that no violation has occurred."

All of this change could appropriately be accomplished if the membership desired that the rule be so expanded, but the Board of Governors had no power so to expand it against the will of the membership whom they represent. Suppose that the Board had complied with the by-laws and had actually submitted to the members a proposal to change the rule so as to add to it the provisions now under attack; suppose further that the members had rejected the proposal 85 to 15. Would anyone seriously contend that the Board could override the adverse vote and make the change effective anyway? Obviously not; yet that must logically be the view of the Board, for they contend that they can by a circuitous maneuver effect a change without any vote of the membership whatever. If that be true, and if a vote be unnecessary, then a vote is a meaningless gesture. If the Board have power to pass the law in the first place, and make it effective without a vote, they necessarily must have power to make it effective even against an adverse vote. The by-laws do not so provide.

We can credit the Board of Governors with entire good faith and an honest belief that this or any other change is in the interest of the investing public and of the association's membership. They still have no such power as they assumed to exercise.

The alternative to democratic processes in the adoption of rules is, to vest the Board with plenary power of regulation and eliminate entirely the membership's right to be heard. Even if that would be a good idea, the by-laws do not so provide.

IV
The Merits of the Rule

The dealer on whose behalf this brief is filed seeks no license to make unwarranted or unconscionable profits. It does object to a 5% spread rule or to any other arbitrary or fixed measure. It believes that any arbitrary ceiling, be it 1% or 10%, is certain to be wrong.

In a stock exchange transaction a service is rendered to the customer by a broker, the service being limited to the filling of an order purely on a price basis, with the member making no representation and having no responsibility as to the intrinsic quality of the merchandise itself. But only a minority of corporations are listed on the stock exchanges. Yet, investors should buy, want to buy, and do buy securities of unlisted companies. To make this possible is one of the important functions of the dealer in the over-the-counter markets. At times such a dealer may limit his services to matching a buy order and a sell order, and bring the two together in a transaction over the counter. In such a case a spread of 5% may easily be adequate. No rule is required, however, in such a case, for wholly apart from the dealer's conscience economics would themselves impose a proper limitation. As a matter of fact, the Board of Governors of the NASD by their 1943 questionnaire found that 71% of the transactions reported were handled at 5% or less even without any limitation being imposed by law or by rule. The new 5% limitation could therefore apply only to the remaining 29% of the transactions handled. These transactions are the ones to which the new rule would apply, and the Board stated in its letter of Oct. 25, 1943 that its philosophy applied particularly "but not exclusively" to riskless principal transactions.

The Board also expressed its conviction that it would be impracticable and unwise, if not impossible, to write a rule as to fair spread or fair profit, or to lay down a percentage or dollar price

which would be fair. Yet the Board, by indirection, has attempted so to do.

It should further be understood clearly that the 5% is not a limitation on **profit**, but is a limitation on **spread**. No doubt most dealers would be highly pleased with a 5% profit on all of their transactions, but in many cases they could not possibly eke out a livelihood, or have any profit at all if the spread is limited to 5%. True, the limit is not by its terms an absolute one, but the rule as announced by the Board of Governors makes it necessary that a dealer pierce the ceiling only at his own peril. He even is saddled with the burden of proving his innocence, and doing so in a quasi-criminal proceeding.

The fundamental purpose of the Rules of Fair Practice ought to be the protection of the investing public. That purpose is not served by so limiting the dealer's livelihood and his freedom of action as to make it economically impossible adequately to examine, appraise and service his customers' investments, and properly to advise those who seek his counsel.

Most riskless over-the-counter retail sales are made on the recommendation of the seller, and the value of his recommendation depends upon the accuracy and completeness of his investigation, his capacity to weigh its results, and his judgment in passing upon the facts. The completeness of the investigation depends upon the availability of information, the time spent in gathering facts, and the ability of the investigator to obtain them. It takes ability to know what questions to ask, how to ask them, and of whom to ask them. Vital facts are often available only to a few persons, sometimes only to active associates, and almost always only to those who know what facts are essential. Facts are often made available only to the investigator who has proved by past performance that he can be trusted. Information is frequently acquired only over a long period of time, and a fund of facts regarding a situation has a cumulative value. Furthermore, if a dealer has investigated and has sold to his customers the securities of a corporation, he has acquired a special right to obtain information.

A financial house that has for years carried on careful investigation and developed an enviable reputation can justly charge more for the same security than a dealer can who rendered no such service. In fact, customers of the highest type will knowingly continue to buy from a high price house with a feeling of greater security regarding their holdings. A fixed spread can drive the most valuable advisers out of business, can drive out the very men who are improving the reputation and the standing of the over-the-counter securities business. According to some, if a dealer sells securities to a customer at a price close to the market on the day of sale, and can show him a few points profit in the weeks that immediately follow, the dealer has done well, even if the corporation later falls upon evil times with large resultant loss to the customer. Real investment advice requires something more. Cases come readily to mind where a dealer spends months of his time and thousands of his dollars investigating and weighing the real facts of a security, has recommended it to customers, and has thereafter serviced the customer's investment by representation on the board, by active participation in the management, by assuring the investor that a careful watch is being continuously kept on his financial safety. It does happen that business and professional men sometimes do not render the services for which they are paid, but that is no argument for setting a fixed price on real service when it actually is rendered. Applying an arbitrary measure, 5% or any other, is against the real interest of the investing public, against the real interest of those engaged in the securities business, and against sound thinking, sound economics and good morals.

V

It Is the Plain Duty of the Securities and Exchange Commission to Order the Abrogation Forthwith of the Contested Rule

Under the provisions of the Securities Exchange Act of 1934 as amended, supervisory power over the rules of the National Association of Securities Dealers and of any other such association is reposed in the Securities and Exchange Commission. The framers of the statute plainly envisaged the possibility that, without supervision, the legislative powers delegated to the association could get out of hand to the detriment either of the investing public or of the membership of the association. Thus, in subsection (b) of Section 15A, it is provided that such an association may not even be registered unless it appears to the Commission that—

"(5) **the rules** of the association **assure a fair representation** of its members **in the adoption of** any rule of the association **or amendment** thereto, the selection of its officers and directors, **and in all other phases of the administration of its affairs.**" (Bold supplied.)

The rules did in fact assure a fair representation of the membership, in that any rule or amendment before becoming effective must be submitted for ratification by a majority vote of the members. The above-quoted subsection, however, clearly implies not only that the rules must be proper when the association is registered, but that they must be **kept** that way; also, that they must be observed. To say that a rule is not controlling is equivalent to saying that there is no rule, and that is not the scheme of the legislation.

But the statutory provisions on the subject do not even stop there. A rule or amendment might still be adopted, legally or illegally, by the governing body of the association after its registration, which might be against the interest of the public or the interest of the members and such a possible situation is covered by subsection (k):

"(1) The Commission is authorized by order to abrogate any rule of a registered securities association, if . . . it appears . . . that such abrogation is necessary or appropriate to assure . . . a fair representation of its members in the administration of its affairs . . . ."

"(2) The Commission . . . is authorized by order to alter or supplement the rules . . . if . . . it appears . . . that such alteration or supplement is necessary or appropriate . . . to effectuate the purposes of this section with respect to . . . the method for adoption of any change in or addition to the rules . . . ."

Here we have, by whatever name called, a rule or an amendment or a change, and in its adoption the statutory method has been ignored. No fair representation of the members has occurred; in fact, the by-passing device has prevented any possibility of representation. The rule itself is unsound, as has been demonstrated elsewhere herein. The method of its adoption is clearly invalid. It has no foundation of good morality, good economics or good law. It is the duty of the Commission to declare it a nullity.

The record before the Commission contains references to an exchange of letters between the chairman of the District 13 Committee and the chairman of the NASD, dated respectively May 18, 1944 and June 6, 1944. In the latter communication it is stated that the Board's "policy" is not a rule but "a desirable objective or yardstick, neither more nor less." But, let us again remember that the Board's letter of Nov. 9, 1943 provided for **enforcement.** How can a "desirable objective" be enforced? And, whatever a "yardstick" may be, how can a yardstick be enforced if it is not a rule?

We know nothing of the circumstances which attended the writing of the two letters referred to, but it seems signifcant that the amelioration of terminology which they suggest comes to view only after the petition of May 2, 1944 was filed with the Commission. In this correspondence we sense a willingness to make a strategic retreat, but we suggest that it is too late for retreat. Either the Board's action was valid when taken, in which case no retreat is necessary; or it was invalid when taken and is invalid now, as we contend, in which case no retreat is possible. The so-called "5% Rule" should be by order of the Commission abrogated forthwith.

Chief Nazi Economist Assails Work Of Monetary Conference

Says Germany Will Oppose Interference With Her Currency And Price Fixing Decrees—Opposes Gold Standard And a World Currency

According to a despatch to the "New York Times" from a correspondent in Berne, Switzerland, Walther Funk, German Minister of Economics and present head of the Reischbank, addressed a "gathering of German and satellite economists" at Koenigsberg on July 7 in which he took occasion to denounce the International Monetary Conference now being held at Bretton Woods, N. H. Maintaining that Germany would not tolerate any move toward foreign domination of her currency or price regulations, the chief Nazi economist characterized the Keynes (British) Plan as an attempt to rescue Great Britain from its excessive foreign indebtedness, and thereby save its export position from American aggression. According to the "Times" despatch he declared that "Germany can pursue these debates and conflicting opinions with complete equanimity because she is safeguarded by her social peace and has stabilized her currency."

Herr Funk, according to the "Times" correspondent, then proceeded to denounce the gold standard and any system of international currency, maintaining that money derives its value from the authori'y of the State and from the labor of her people.

"We in Germany," he is reported to have said, "know that sound currency conditions call for sane and economic principles and the attempts of our enemies to revive the automatism of the gold standard in connection with economic activities is therefore doomed to failure.

"German currency is a national asset and not the medium of international barter. For that reason Germany will never tolerate that the value of her currency shall be determined by foreign Governments or Wall Street bankers or permit Chicago to fix the price of German grain. Whoever influences the value of currency also determines the social life of a nation. For that reason alone it is necessary that we give careful consideration to Anglo-Saxon currency plans.

"We need a new economic order because the old system has collapsed. One cannot bring order into world economy with currency panaceas, but must rehabilitate currency with planned economy.

"Monetary measures alone will never suffice to cure economic disorders, as the value of gold is primarily determined by its monetary disposition. The Soviet Republic is on the side of the United States, which hopes, with the aid of a world currency plan, to conserve the stability of gold prices.

"Such considerations would conform to the interest of the Soviet, which require gold to pay import balances."

In support of Germany's policy of independent action, Herr Funk pointed out that the best method of promoting and facilitating international economic cooperation is for each nation to exploit and develop its own production resources and draft its own directives that will "attune financial and trade problems." He concluded, says the "Times" despatch, that "the starting point for sound international currency regulation in the future must be sought in an orderly adjustment of national economics of all States concerned."

W. Howard Millar Dead

W. Howard Millar, Vice-President of Doremus & Co., 120 Broadway, New York City, the advertising agency, died after a heart attack on the golf course at Valley Stream, Long Island. Mr. Millar had been in the financial advertising business for nearly 30 years and had been with Doremus & Co. since 1931, becoming a vice-president last December.

Harold McGay With Chas. W. Scranton

NEW HAVEN, CONN.—Harold S. McGay has become associated with Chas. W. Scranton & Co., 209 Church Street, members of the New York Stock Exchange. Mr. McGay was formerly with John Witkowski & Co. and prior thereto was with B. W. Pizzini & Co. and G. A. Saxton & Co., Inc., where he was in charge of the stock trading department.

Situations of Interest

F. H. Koller & Co., Inc., 111 Broadway, New York City, have prepared a memoranda on Great American Industries, Laclede Christy Clay Products and Indiana limestone which the firm believes appear attractive at current levels. Copies of these interesting circulars may be had upon request from F. H. Koller & Co.

Postpone Hearing

The hearing to determine whether the broker-dealer registration of M. S. Wien & Co., New York City, should be revoked or suspended, and whether the firm should be expelled or suspended from membership in the National Association of Securities Dealers has been postponed by the Securities and Exchange Commission to Aug. 9. The hearing will be held in the Commission's New York office.

Post-War Municipal Finance In The National Economy

(Continued from page 173)

lapping taxes, insufficient regard by one government for the taxes of others, and, especially at the local level, a poor correlation of tax resources with government responsibilities. We cannot, of course, retain our federal system, based as it is on local self-government and a federation of 48 States, without paying some price in duplication and conflict. But the price we are now paying seems unduly high.

In the old days, when the States and localities drew their revenue from property taxes, while the Federal Government depended on liquor and tobacco taxes and customs duties, conflicting taxation was hardly a problem. But, as the sphere of government expanded, conflicts developed. With only a limited number of tax streams to fish in the different governments soon found themselves fishing the same streams. And, in looking for elbow room on the banks of the stream, each government inevitably jostled the others.

By 1941, overlapping use of the same revenue sources characterized about 62% of all local, State, and Federal revenues. Almost three-quarters of all State tax collections and nine-tenths of all Federal tax collections in 1941 were derived from tax sources jointly employed by State and Federal governments. With respect to specific taxes, the Federal Government dominates (that is, collects more than half of total revenues from the given tax source) in net income, death, gift, liquor, tobacco, and payroll taxes. State governments dominate in business taxes and in motor-vehicle license and gasoline taxes. Local governments, of course, dominate in property taxes. Only customs duties and property taxes are completely free from State-Federal overlapping.

Overlapping taxes, together with diversities among State and local tax laws, multiply costs of collection as well as costs and irritations of compliance. For individuals, it is largely a matter of inconvenience or nuisance, as in filling out two sets of income-tax returns or going through two different property-tax assessments each year. This is bad enough. But for complex businesses a welter of conflicting taxes is even worse. Merely in terms of keeping the necessary records and filling out diverse tax forms, businesses are subject to unnecessary and often heavy expense. Moreover, since tax laws differ from city to city and from State to State, both individuals and businesses run the risk of double or multiple taxation.

Even if tax conflicts were confined entirely to the State and Federal levels, the cities could not view the situation with anything but alarm. The cities are subdivisions of the States and anything that adversely affects the States adversely affects local government. The effect may be direct, as in the case of State-local shared taxes; or it may be indirect in weakening the State's ability to serve local government.

Unbalance Between Revenues and Responsibilities

Lack of co-ordination is not, of course, simply a matter of conflicting taxes. It runs much deeper, as we found in the depression of the 'thirties.

That great depression highlighted a basic unbalance that had developed between the revenues available to local governments and the services they had to perform. Taxes fell off sharply in the early 'thirties, but costs of running local government were stubborn and refused to fall off correspondingly. In fact, new responsibilities for relief and public works were thrust on the cities. In the face of limited sources of revenue, they had to turn to borrowing. And in the face of debt limits or poor credit standings, they had to turn to State and Federal governments for aid.

Aside from its RFC and PWA loans, the Federal Government responded mainly by a great expansion of the grant-in-aid system. These aids seemed to promise the localities a means of carrying out the services demanded of them without being forced to resort to unsound tax devices and borrowing practices. At the same time, the grants-in-aid promised the Federal Government a means of putting a nation-wide policy into effect without doubling up on State and local services. As yet, however, the aid device has not met these goals.

Most students of the subject feel that the grants-in-aid fell short of expectations because they did not have a fair trial. The critics point out (1) that so-called matching grants instead of variable, or equalization grants were used and (2) that only a few selected, often secondary, services were favored to the detriment of broader classes of services that needed support.

The matching principle requires the States and municipalities to match the Federal grants dollar for dollar—otherwise no grant is forthcoming. Since rich States had more dollars to match the grants than poor States, they were able to get more dollars of aid from the Federal Government. Furthermore, the poor States so extended themselves to match the Federal grants offered for selected services that they sometimes had to starve or undernourish other services.

Thomas H. Reed, in his study entitled "Federal-State-Local Fiscal Relations," prepared for the Municipal Finance Officers Association and published in 1942, criticized Federal and State assistance on the ground of its inequities and uncertainty, and because it stimulated local expenditure rather than relieved local tax burdens.

Federal grant-in-aid policy to date has not generally recognized economic differentials among States and regions. It has exerted equal pressure for expenditures on units with unequal resources. Despite the strong national interest in at least a minimum level of education, of public health, and of public welfare—merely the minimum consistent with the democratic principle of equal opportunity for all—no clear-cut policy of underwriting or guaranteeing a national minimum has yet been developed.

Perverse Cyclical Policy

Thus we find unco-ordination not only in taxation but also in the balance, or rather, unbalance between taxation and expenditure at different levels of government. When we add borrowing to taxes and expenditures, we find a still further lack of co-ordination. We find what has been aptly termed "the fiscal perversity of municipal finance in boom and depression."

Or, to put it more simply, municipal finance in the past, instead of helping to even out the peaks and valleys of our business cycles, has helped build up the peaks and deepen the valleys. In the boom of the late 'twenties the municipalities indulged themselves in heavy borrowing, extensive public works, and tax reductions. In short, they magnified the boom. In the depression of the 'thirties, they did the opposite. Instead of joining the Federal Government in a bold attack on deflation, they retreated into their financial shells. They reduced their borrowing. They levied new taxes, especially taxes weighing on consumption. And they cut their expenditures on public works. In other words, while the Federal Government was fighting **deflation** with a public works program and deficit financing, State and municipal financial policies were inadvertently working in the opposite direction.

At present, during the war, the situation is reversed. While the Federal Government is locked in a death struggle with **inflation**, some State and local units have reduced taxes. By cutting property and income taxes, for example, they have put unexpected spending power into consumers' hands just when the national interest demands that consumer spending be cut to the bone. Fortunately, many States and municipalities are following the sound wartime policy of cutting their debt instead of their taxes, and putting their financial houses in order for the post-war period. But when we find that only eleven of our 48 States have specifically authorized their subdivisions to build up reserve funds, we realize what enormous gaps exist in fiscal planning.

Even this very cursory survey of (1) intergovernmental tax conflicts, (2) the bad alignment of municipal revenues with municipal responsibilities, and (3) the "perversity" of local finance, reveals an urgent need for improved fiscal planning at the municipal level. And this discussion in no way presumes to be exhaustive. Such grave problems as those of blighted areas and migration to the city fringes are not within the bounds of this paper; that they are nonetheless of vital importance is illustrated by the fact that here in the City of St. Louis alone, blighted areas annually cost $5.5 million more to run than they contribute in taxes.

True, the war, by inflating tax yields and postponing many expenditures, has glossed over some of the worst defects of local finance. But, in the absence of realistic planning, both the chronic and the cyclical weakness of local finance are bound to reappear after the war. Only if the cities work in advance on their post-war finance problems can they hope to meet the joint demands of sound city government and a stable post-war economy.

Remedies

What can the municipalities as a group do to serve the dual purpose of strengthening their own finances and bolstering the post-war economy? Several possible lines of action suggest themselves:

1. Active participation in the movement to set up a joint Federal-State-local fiscal agency.

2. Co-operation with State and Federal governments in working out a more rational and flexible grant-in-aid policy.

3. Reploughing the field of local revenue, especially the property tax field.

4. Reorientation of local finance to recognize and combat depression and boom by such devices as post-war and prosperity reserves, public works programming, etc.

A Federal-State-Local Fiscal Agency

The problem of conflicting taxation has long since given birth to proposals for establishing a national tax commission or some similar agency. A number of bills have been introduced in Congress in the past few years to set up such a body.

Two recent proposals which are attracting widespread interest are those made by the Committee on Intergovernmental Fiscal Relations (composed of Professor Harold M. Groves of the University of Wisconsin, Dr. Luther Gulick of the Institute of Public Administration, and Miss Mabel Newcomer of Vassar College) and by Messrs. Hansen and Perloff of the Federal Reserve System in their recent book, "State and Local Finance in the National Economy."

The Groves-Gulick-Newcomer committee was appointed by Secretary Morgenthau in 1941 to study and report on the problem of fiscal relations. It submitted its findings to the Treasury early in 1943. In its report ("Federal-State-Local Government Fiscal Relations," Senate Document No. 69 (78th Cong., 1st sess.)) it recommends that machinery to achieve co-ordination be set up in the form of a Federal-State Fiscal Authority. The FSFA (for which, incidentally, our Washington alphabet still has room) would consist of three full-time members, one to be appointed by the President, one by the States, and the third (presumably an expert in municipal affairs) to be named by the first two. The Authority would be assisted by an advisory council representing a wide range of interests. Hansen and Perloff suggest an alternative agency, the Intergovernmental Fiscal Authority, to consist of seven members appointed by the President with the advice of State and local officials.

Either of the proposed joint agencies would be assigned such functions as conducting research and making recommendations on fiscal co-ordination; promoting better government reporting; acting as a "board of appeals" on such matters as Federal payments in lieu of taxes; promoting joint administration of taxes; and supervising the Public Work Reserve.

A co-operative agency could do yeoman service in promoting a co-operative attitude; getting the various governments around the conference table to eliminate conflicts; and stimulating a co-ordinated national fiscal policy embracing all three levels of government. It could serve as the watchdog of the co-ordination movement, protecting the interests of taxpayers and government alike.

Improvement of the Grant-In-Aid Device

One of the major services that a Federal-State-local fiscal agency could perform would be to work out plans for a national system of grants-in-aid. As noted earlier, our present aid set-up really cannot be called a system. It is actually a series of uncoordinated individual grants. In the interests of certainty and balance in their finances, the municipalities should join hands to work for co-ordination and rationalization of these grants.

The grant-in-aid is not a cure-all. But it can serve as a valuable lubricant for a Federal system. It can in part bridge the gap between the financial resources of local units and the functions they are called upon to perform. It is a device whereby the national taxing power can be brought to serve cities and localities.

How can grants-in-aid be made more useful? Students of the problem have suggested three major steps:

(1) Concentrating aids on several broad services like education and health, in which there is a compelling national interest, instead of splintering them among a number of minor functions. The need for this step is dramatically illustrated by the fact that in 1941 Federal grants to States for grade crossings were greater than its total grants in the field of public health.

(2) Recognition of the need for a national minimum of services, that is, provision not only of straight matching grants but also of differential or equalizing grants favoring the poorer States and cities. In some areas, needs for services far outstrip taxable capacity. For example, the Advisory Committee on Education estimates that in 1935 New York had 9% of the total educational **need** of the country and 21% of total financial **ability**. On the other hand, the 14 Southern States, together, had 34% of educational **need** but only 16% of financial **ability**. It is on discrepancies like these that the case for variable grants-in-aid rests.

(3) Provision for review of grants-in-aid by an intergovernmental agency to which States and localities could bring appeals in cases where the national policy worked an injustice on the particular unit.

Given these changes in Federal aid practices, the States and cities could count, throughout, on a minimum standard of certain essential services like schooling and health, without starving other essential services. And the Federal Government would have a logical mechanism to carry out a nation-wide policy.

The criticism will be made that this is an insidious way for the Federal Government to gobble up State and local powers. In the absence of adequate safeguards, this criticism would have some substance. The power of the purse is very compelling. But safeguards can surely be provided in the grant-in-aid laws, laws which are passed by members of Congress representing not only national interests but also State and local interests.

Moreover, compared with alternatives, expanded grants-in-aid may well be the lesser of evils. Without them, the cities would be faced with the choice of (1) adopting taxes basically unfit for local use, like the income tax or sales tax; or (2) leaving important services without adequate support; or (3) forcing the Federal Government to take over functions which can really be administered more effectively by local officials. Seen in this light, Federal aids properly safeguarded, are actually a device to strengthen and preserve, rather than undermine, local government.

In discussing development of Federal aids, one cannot ignore the ominous movement now under way to amend the Federal Constitution to limit Federal taxes on incomes and estates to a top rate of 25%. Some 15 States have already called upon Congress to approve this so-called "twenty-second amendment." If Federal income and estate taxes were cut back to a top rate of 25%, State and local governments would be the losers. In the face of a 25% maximum rate, it would be difficult, if not impossible, to sustain the aids currently provided for highways, for the aged and physically handicapped, and for agriculture. Moreover, the possibility of extending Federal assistance in such fields as education and public health would almost certainly be destroyed. The whole concept of establishing a national minimum of certain basic services would go out of the window.

The move to put the 25% limit across is steadily gaining ground. Municipalities have a vital interest in this amendment, for it would indirectly result in weakening their power to give the people many important services and would make local finance harder to manage. Purely as a matter of self-interest, and apart from the folly of writing tax laws into the Constitution, the municipalities should vigorously oppose the 25% limitation proposal.

Development of Local Revenue Sources

The foregoing discussion of grants-in-aid is not intended to point the way to the financial salvation of city government. True enough, inequalities of resources and services will always require a Federal hand; weakness of one part of the Federal body affects all other parts. But this does not mean that the cities should lean on Federal aids to bail them out of trouble after the war. If they regard such aids as their financial salvation rather

than as a supplement designed to guarantee certain services, they will endanger both the vitality and the independence of local governments.

The Groves-Gulick-Newcomer committee, especially, decries the picture of local units running hat in hand to the central units. The committee points out that it makes little sense for cities to ask the Federal Government to solve their financial problems, since, in the last analysis, the source of the funds on which the Federal Government must draw is within the local units themselves. The committee snorts at what it calls "the spectacle of a city like New York, popularly regarded as the 'gold coast' of a rich country, going through one financial predicament after another, obliged to adopt a sales tax which its mayor had successfully attacked in Congress, and frankly conceding its future dependence on Federal revenues. . . ." In other words, a balance must be struck between the assistance derived from the Federal Government and the more intensive development of independent sources of local revenue.

What direction should such development take? It might, on one hand, take the direction of diversification and greater reliance on taxes other than the general property tax. As a matter of fact, there has been a considerable trend in this direction over the years. The average city now pays only about two-thirds of its bills with money from property taxes. The amount contributed by other taxes has grown during the war. On one hand, locally shared State taxes have contributed larger amounts as State tax yields have risen. On the other, many cities have turned to such measures as admissions taxes, increased license fees, levies on beverage sales, and excise taxes on utility revenues. But since the use of these taxes often involves piling taxes three deep and further complicates a revenue system that is already highly complicated; and since, in addition, local units suffer too much leakage in applying taxes to bases other than property, it appears that the local revenue potential of such taxes is strictly limited.

This consideration leads us to reconsider the backbone of local finance, namely, the property tax. A proposal that has aroused great interest in recent months, largely through the impetus given it by the Groves - Gulick - Newcomer committee, would recast the present property tax into a service charge on landlords and an occupancy tax on tenants and owner-occupiers. The service charge on landlords would resemble the present property tax. The occupancy tax, though long used in Great Britain, would be something new under the American fiscal sun. It would be more personal than the general property tax, being based on annual rental value rather than sales value.

The major advantage of the occupancy tax based on rental value is that it achieves better correlation of taxes with income and with current ability to pay. Its chief drawbacks are that it would require a second valuation of each property in use and that its weight would fall primarily on housing, a field in which national policy calls for an improvement of standards.

Nonetheless, the occupancy tax remains an interesting possibility. It would give the municipalities a foothold in a new revenue field without running hat in hand to central government. It might prove to be just what is needed to prime the property-tax pump.

Municipal Finance in the Fight Against Depression and Boom

The point was made earlier in this paper that State and local governments have shown a peculiar perversity in their fiscal policies. Instead of manipulating their tax, borrowing, and expenditure policies to work against the ebbs and flows of our economic system, they have gone along with the tide and have, in fact, contributed to those tides. In prosperity, their credit has been good, their tax yields have been high, and they have succumbed to the generally expansive feeling which leads to heavy construction programs, large-scale borrowing, and tax reductions. In depression, on the other hand, they ran up against debt limits, property-tax delinquencies, and a weakened credit standing—as a result, instead of bucking the tide of economic contraction, they quite naturally ran with it.

The lesson to be drawn from this experience is not, of course, that local and State governments bear responsibility for cyclical forces that are nation-wide in scope and origin. Rather, it is that the cities and States have a vital stake in high levels of economic activity and employment and can aid materially in attaining those levels. The thing that makes the local tax base productive is prosperity. Anything the local units can do to co-operate with, rather than frustrate, a national policy aimed at a stable and prosperous economy is all to their own good. Acting alone, any given city or State can do little. But acting in concert, the cities as well as the States have the fiscal power to make a telling contribution to post-war prosperity.

What can they do? Although the problem of welding local, State, and Federal fiscal policies into a national fiscal policy is no simple matter, a few devices to get closer to that goal readily suggest themselves.

One of them is a system of building up reserves during prosperity for a rainy day to come. The principle of building up wartime reserves for the post-war period is now very widely accepted as sound State and local finance. This principle can be applied just as well to a peacetime prosperity situation. Wartime reserves serve the dual purpose of neutralizing inflationary spending power during the war boom and providing a bulwark against the post-war slump. Peacetime reserves could be devoted to strictly parallel ends.

The policy of maintaining high tax rates during a boom and cutting tax rates in a slump is good national economic policy, good local finance, and even better personal finance. The easiest time to pay taxes is during a boom. And the best time to spend money is during a slump. Off-peak expenditures on such things as public works not only act as a shot in the arm for an ailing economic system, but generally offer the municipality a chance to get needed work done at costs well below those encountered at the peak of prosperity.

The use of a capital budget also suggests itself as an instrument of sound fiscal planning. Municipalities would know much better where they stand and would have a much better basis for fiscal planning if they divided their budgets into (1) a current or operating budget and (2) a capital budget. Current costs would be loaded into the current budget and capital outlays would be loaded into the capital budget. This would facilitate staying on a pay-as-you-go basis for current expenses as well as proper writing off of capital investments within the period of their useful life.

If they are to follow a successful countercycle policy, the municipalities must also find some way of maintaining their credit standing during depression periods. This again probably calls for intergovernmental co-operation. Hansen and Perloff have suggested the establishment of an Intergovernmental Loan Corporation to provide adequate credit to State and local governments. The Corporation would be authorized to buy State and local securities with Federal monies. It would help to free local governments from pressures to retrench unduly in depression periods. Too often in the past, they have had to reduce services and increase taxes as a prerequisite to obtaining funds from private sources during a depression. The Loan Corporation, operating on the revolving-fund plan, would relieve them of this pressure by providing a back-stop whenever needed.

Imposing legal and economic barriers, as well as traditional practice, stand in the way of countercycle finance at the local level. But the potential rewards, both to local government and to the Nation, of a strong countercycle fiscal policy are so great that the municipalities should bend every effort to break through these barriers.

Conclusion

Post-war planners in the municipal field dare not ignore the cost of fiscal discord between local, State and Federal governments. Their fiscal planning has to proceed in full view of the interdependence of the local and national economies.

Encouraging evidence that municipal officials are aware of the need for harmony is provided in the widespread interest and activity which they have shown in the co-ordination movement. The Municipal Finance Officers Association, for example, is reexamining local revenues against the background of State-local and Federal-local relations. In 1942, its Committee on Local Government Revenues and Activities, headed by Dr. Thomas H. Reed, submitted a searching report on local - State - Federal fiscal relations. Specific points of fiscal contact between Federal and local governments are being examined by its Committee on Federal Fiscal Relations. Another of its committees is examining the fundamental question: "From what sources can local governments best obtain their revenues?"

Brought into focus by planning for the post-war period, the move to strengthen municipal finance by co-ordinating it with State and Federal finance has gained great momentum. Through efforts of bodies like the Municipal Finance Officers Association and the American Planning and Civic Association, the co-ordination movement has a better chance than ever before of moving out of the sphere of talk and into the realm of action.

Attractive Situations

Ward & Co., 120 Broadway, New York City, have prepared circulars on several situations which currently offer attractive possibilities, the firm believes. Copies of these circulars, on the following issues, may be had from Ward & Co. upon request.

Du Mont Laboratories "A"; Merchants Distilling; Crowell-Collier Publishing; P. R. Mallory; General Instrument; Long Bell Lumber Co.; Great American Industries; Mid-Continent Airlines; Massachusetts Power & Light $2 preferred; Majestic Radio; Magnavox Corp.; Electrolux; Purolator; Brockway Motors; Mohawk Rubber, Moxie, Scovill Mfg., and American Export Airlines.

Bayway Term. Interesting

Bayway Terminal Corporation common stock offers interesting possibilities according to a four page brochure prepared by Adams & Co., 231 South La Salle Street, Chicago, Ill. Copies of this brochure are available to dealers upon request to Adams & Co.

Put and Call Brokers Elect Buckbee Member

Frank R. Buckbee of Buckbee & Co., 42 Broadway, New York City, has been elected a member of the Put and Call Brokers and Dealers Association, Inc.

OUR REPORTER'S REPORT

Bidding for railroad equipment trust issues promises to provide the chief feature of the investment market over the next few weeks, it is indicated by a recapitulation of prospective offerings.

Three roads disposed of blocks of such securities this week, of which the issue sold by Union Pacific yesterday was the largest, involving $8,120,000 of 1¾ per cents dated Aug. 1, to be issued against equipment costing the road $10,150,0000.

Seaboard Air Line sold $2,760,000 of certificates, due 1945-54 as 2s receiving a price of 99.53, while New York, Chicago & St. Louis Railroad received a total of seven bids for an offering of $2,100,000 of certificates which were awarded as 1⅞s on a bid of 99.882.

Chesapeake & Ohio Railway was due to open bids today for an offering of $2,500,000 equipment obligations dated July 15 and maturing in equal instalments from July, 1945 to 1954.

This will leave an issue of Wheeling & Lake Erie, consisting of two series $1,140,000 of Series J and $926,000 of Series K up for bids on July 19, with Erie Railroad scheduled to receive bids the following day on its projected offering of $3,620,000 certificates, dated Aug. 1 and maturing in 10 equal annual instalments.

Way Cleared For Big Issue

Approval by Federal court of the petition of receivers for Missouri Pacific Railroad for permission to participate in a plan to refinance the outstanding debt of Kansas City Terminal Railway, cleared the tracks for that issue, subject of course, to jurisdiction of the Interstate Commerce Commission.

The road is thus free to join with 11 others in placing before the ICC the necessary application for assuming the guarantee of sinking fund and interest on the projected issue of $47,000,000 first mortgage serial bonds of the terminal firm.

Missouri Pacific trustees pointed out to the court that the refinancing, if allowed, would mean a saving to the Terminal Company of some $24,000,000 over the life of the new bonds.

Encouraging Response

Underwriters and dealers were admittedly cheered by the response which greeted the first corporate undertaking in the wake of the Treasury's Fifth War Loan Drive.

The marketing of the $10,000,000 of Quaker Oats Co. 20-year 2¾% debentures, priced at 99¾, though not a bid deal, as such ventures are measured these days, was regarded as a good "feeler" after a lapse of fully a month.

It required scarcely two hours for the syndicate managers handling the deal to announce that the issue had been oversubscribed and the books closed.

New Orleans, Public Service

New Orleans Public Service Inc., now looms as the likely first issuer to reach market on the new wave of public utility flotations by way of refinancing.

It is now expected that this company will receive bids July 25, or thereabouts, for its projected offering of $34,500,000 of new first mortgage bonds, due to mature in 1974, along with 77,798 shares of new preferred stock.

Banking groups are pretty well organized with the expectation of entering bids for the issues. Proceeds from this financing, plus corporate funds in hand, will be applied to outstanding first preferred stock and a number of 5 and 6% bond issues now in the hands of investors.

Single Bid Rejected

Plans of Northern Indiana Public Service Co. looking toward refinancing of its outstanding preferred stocks, struck a snag this week, when the offering of new preferred brought only a single bid from bankers.

Response to the company's call for bids for an issue of 220,078 shares of 5% cumulative preferred, was a single tender of 101, indicating compensation to bankers handling exchanges of the old stock, or absorbing the new shares, of $659,769.

Directors rejected the banking bid, but without any formal explanation. Presumably the prospective issuer will try again after a reconsideration of the deal.

Post-War Possibilities

Moxie, Dumont Laboratories, and Majestic Radio offer interesting possibilities according to a circular on the situation issued by J. F. Reilly & Co., 111 Broadway, New York City. Copies of this circular may be had from J. F. Reilly & Co. upon request.

Metallic Money Or Managed Currency?

(Continued from page 175)

the element of instability into the whole price structure. This is what led our government to demand the surrender to it of all stored gold in coin and bars in 1933.

"Such as are inclined to hoard have many fields in which to practice, all of them open, without encroaching on the one and only preserve which, by every right, primarily belongs to the community. Some may properly raise the question of the freedom of the individual to do what he pleases with his own property, and this point, too, deserves consideration. But, as **between tolerating hoarding and facilitating hoarding there is a broad distinction which should be recognized by all concerned and dealt with accordingly.** By all means, let us preserve the individual's freedom of action, but let us deny him all public facilities to indulge his whim at the expense of the community. **No common carrier should be permitted to transport, no depository to store, no insurer to cover gold and silver, in coin or bar, on private account.** We should except—and license—producers, refiners, manufacturers and banks. Thus, when the currency once more becomes redeemable in gold or silver on demand, the individual could transport his hoard in his own conveyance, cache it in his own privately owned strongbox and stand guard over it. His freedom of action would thus be respected while the community could forthwith dismiss all fears of an undue rarefaction of its means of payment.

"There is a strong tendency to control the movements of capital over the exchange. Here again the freedom of the individual is threatened by those who fail to differentiate between speculative operations and legitimate transactions. For mass movements of capital seldom occur which are not superinduced by speculative excesses which, by undermining confidence, ultimately lead to panic. Be it remembered in this connection that a speculative exchange operation cannot take place without the cooperation of a bank. That no one can sell "short" a given amount of foreign currency unless a bank is willing to lend it until the contract matures. Regardless of the profit involved, **no financial institution should be permitted to aid and abet exchange speculation.** All contracts for the sale or purchase of foreign exchange for future delivery should be carefully scrutinized and their legitimacy established before being accepted. A simple order by the Central Bank would insure compliance by all member institutions.

"If hoarding is discouraged and exchange speculation is outlawed, two of the major obstacles to monetary and price stability will have been removed.

"Currency managers attempt to control prices within national limits and, to do so, they needs must cope with external factors to which internal prices react. In so doing, they at once invade foreign fields, inviting retaliation in kind which leads to economic warfare — the straight road to armed conflict. In lieu of a practical international money system, and to perpetuate their baneful rule, these die-hards proffer clearing agreements to be superimposed on a hodgepodge of dissimilar, often clashing, monetary policies. Heedless of the shifting sands at its base, these architects are busy shingling the roof of our future monetary edifice. In contrast, the advocates of metallism offer a common medium, tested by time and sanctioned by custom and tradition. Unlike currency management which is shrouded in mystery and practiced in secrecy, their system functions in the open. Of course, metallism imposes a certain discipline on all participants, but that is as it should be, for confidence and well-being are born of orderliness and restraint. Not so currency management which is non-cooperative in essence, manipulative in character and, in practice, defiant of any rules or restrictions whatsoever.

"When victory is won in Europe, a great part of that continent will be in ruins. With its population decimated and impoverished, its material resources disorganized when not completely destroyed, Europe will require a decade to resume normal life. Spurred by its dire needs and its determination to survive, it must accept competition on any terms. In this connection, it might be useful to review our experience during the interbellum period, when the sheer pressure of economic necessity engendered that extreme nationalism which divided former allies and which expressed itself in economic warfare waged with particular ferocity in the monetary field. Those whose sole desire was the achievement of favorable balances at some one else's expense adopted the system of currency management for the purpose. Different expressions of the same desperate nationalism were found in tariffs, quotas, exchange depreciation and controls which reduced the volume of trade and spread unemployment everywhere. Thus was the ground prepared and the road paved which later was to be traveled by the dictators. It will be for us and our allies to decide whether that tragic blunder is to be repeated.

"By what practical method are we to avoid it? If the principle of lend-lease was established for the purpose of facilitating a common war effort, would a common peace effort be deserving of less? Under lend-lease we didn't give away the products of our farms and factories—we armed our allies against our enemy who, incidentally, was also theirs. When peace comes, we need not give away our stocks of precious metals, but we should lend-lease part of them for our defense against our other enemy—unemployment — which, incidentally, is also our common foe.

"Scattered throughout the world are vast amounts of gold and silver in the shape of coin, specie and ornaments of all kinds and description available for coinage into money, provided mints are opened for the purpose. Maldistribution no doubt exists, and it is precisely herein that lend-lease can bridge the gap, provided it is practiced with the sole objective of restoring a workable international money system. A first step would be the economic pricing of both metals by common agreement. The second would be the protection of the precious metals and the exchanges from abuse by hoarders and speculators through the adoption of those legal measures already suggested. We could then open the mints to free coinage with the certainty that the system would work because no individual nor group could seriously threaten it. Provided the chief trading nations adopted the metallic system, **and agreed to protect it,** currency management could no longer be practiced against them. For non-cooperators might buy, but could neither transport, store nor insure metal once they bought it, if the facilities to do so were legally denied them.

"The maldistribution of the money metals is being slowly corrected. Gold is flowing out of our country in substantial amounts, and if we succeed in losing half our stocks, the problem will take on a different and better aspect. The countries of the Southern Hemisphere will, by their very possessions, have a new interest vested in metallism. Russia's gold fields, undisturbed by the war, must soon produce in increasing quantities. The same may be said of South Africa, Canada and Australia. It is Western Europe, the Near East and the Far East which will be in greatest need of metal, and it is there that lend-lease can do most good. Were silver to be remonetized, it would further simplify the common problem, for, as matters now stand, the price relationship between the two metals has lost all economic significance. Although produced in the ratio of 7 to 1 to gold during the past five years, silver is selling at about 1/70th the price of gold. When contrasted with a 7 to 1 production ratio, a 70 to 1 price ratio cannot endure in a free economy. Nor does it make sense, with that country's strong financial position, that India be starved of silver by import restrictions and its masses subjected to competitive bidding for the few ounces of gold so reluctantly offered by government at its fortnightly sales. The skyrocketing by some 2,000% of the Chinese price level is not alone an indication of the scarcity of goods; it is also evidence of the dwindling value of the Chinese currency which only hard money backing could stabilize. But where is this hard money to come from if gold alone is to carry the burden of world finance? The mere raising of the price of gold, whether or not suggested by its producers — whose altruism, perhaps, need not be taken for granted—is no solution, because the quantity principle applies to gold as to all other things, so that **"we cannot achieve an economy of abundance on a scarcity system of money."***

"Those concerned with the problem of money and prices, while aiming at stability in both, must realize that the economy is not static, and should give the natural forces room for that interplay which makes for equilibrium where dynamics are involved. Because money is but one element whereas the price structure is composed of so many, it follows that monetary stability may more easily be achieved than price stability. Even fixity of money is conceivable, whereas fixity of prices would entail so complete a regimentation of all human activities as practically to stifle life. When contrasted with currency management, metallism offers that measure of fixity which weight and fineness constitute, while elasticity is provided by the continuous production of the money metals. Thus is the volume of basic money maintained in a reasonable ratio to the growing volume of those things that money would measure. Moreover, metallism affords to all countries the means of harmonizing international responsibilities with national interests in the economic field because, everywhere, the instruments of exchange would be identical in nature. Under metallism, money truly talks a universal language. Why, then, erect a new Tower of Babel by adopting managed currency?

"Never before has the machinery of production and distribution been so highly developed; never so well geared as to yield dividends in well-being for all mankind. One cog is missing—that cog is money. All that is needed to perfect the mechanism is but a modicum of wisdom, of ingenuity and good will in applying those elements which a kind Providence has placed in our hands. Why not use them?

"In recent monetary discussions it is to be noted that the matter of national sovereignty has been stressed with particular emphasis. From this ostentatious refusal to 'abdicate' certain 'rights,' there issues the unmistakable odor of non-cooperation, which no amount of drenching with the essence of 'sovereignty' will remove. It is a lame excuse which does not explain how any cooperative effort can succeed if all concerned insist on the retention of prerogatives which they would have us regard as sacrosanct. For we cannot 'have our cake and eat it too,' nor can we aspire to a common money system unless all concerned contribute to its creation. At this juncture it may be useful to inquire as to how managed currency functions and how to cope with it:

"Currency management is achieved by the combination of three distinct sets of operations, one internal, two external, each indispensable to the others, so that the success of management depends on the coordination of the three.

"The First is the internal regulation of the currency by means of **open market operations,** whereby currency and credit are expanded or contracted. Foreign short-term funds are thereby attracted or diverted according to the dearness or cheapness of money rates as contrasted with those ruling in other centers.

"The Second is the equilibration of the country's foreign commerce by **subsidies and quotas** (exchange and other controls being variations of the same principle). Subsidies create artificial cost differentials between nations, while quotas obstruct natural imports, causing them to back up onto the markets of origin, glutting them and breaking prices.

"The Third, and by far the most important, is the external regulation of the currency by **manipulative exchange operations** whereby the value of the currency, in its relation with other currencies, is either raised or lowered.

"As costs everywhere are figured in terms of the local currency, alteration in the value of a currency unit, in its relation to other units, produces cost differentials favorable to some, unfavorable to others. The ensuing disequilibrium enforces price readjustments to meet the new, artificially created, levels. Thus, through no act nor desire of their own, countries are compelled to readjust their price structure to suit the needs or convenience of alien currency management. And this process is as continuous as that carried on by management.

"Distinct from legitimate exchange transactions, based on the flow and ebb of international commerce, manipulative exchange operations infringe and impair the most sovereign right of nations — that of controlling the value, or purchasing power, of their own currency. They are a direct invasion of a country's economy in that they constitute intervention by one nation into another's internal affairs. Any country practicing currency management by means of manipulative exchange operations should, and can, at once be stopped by being denied the facilities essential to the completion of its exchange transactions.

"An exchange operation is completed only when its proceeds are converted into tangibles which can be exported from the country whose exchange has been bought: otherwise it remains a mere credit entry on a bank's books. If a country buys the exchange of another, then converts that exchange into gold, and either earmarks that gold or exports it, the transaction is completed — the operation is 'covered.' But if the exchange purchased cannot be converted into gold (or other tangibles), the operation remains open and 'uncovered.' Until he chooses to liquidate his position the buyer is 'locked in.' He will know what he paid for his exchange in terms of his own currency, but he never can know what he will receive for it until he has liquidated his position. His is the risk — his the gamble — and **currency managers don't gamble.**

"If it be true that by their imports and exports all countries are interdependent, and also true that, as trade naturally gravitates to the premium markets, prices everywhere act upon, and react to, all other prices, then it is equally true that currency management, by attempting to control internal costs and prices, perforce must reach out and interfere with foreign costs and prices. This, of course, cannot be tolerated. And so, by way of disillusioning those who might still plan on our tacit cooperation in the management of their currency, it is suggested that the following policy be adopted and proclaimed:

"'When hostilities in Europe cease, and until the United Nations shall have agreed on a common monetary system, for the establishment of which the Government of the United States will continue to strive, gold and silver imports to and exports from the United States will be embargoed. No metal will be earmarked against dollar balances, domestic or foreign. The Treasury will continue to buy all the American production of gold and silver at the legal price, but will only buy or sell gold and silver in foreign markets when, if and as it deems it convenient or profitable to do so.'

"BE IT REMEMBERED, That foreigners would thus be placed on an equal footing with American citizens to whom convertibility of the currency into gold is being temporarily denied. That unmined gold in South Africa, Canada, Australia, Russia, Mexico, Peru, etc., exceeds in volume the refined gold stocks of the United States. That the future status of gold constitutes a world — not merely an American — problem. That unless priced by common agreement, gold loses its monetary significance and becomes a mere commodity to be exploited for profit."

*Sir Charles Morgan-Webb.

Does Not Look For Post-War Increase In Price Of Gold

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the banking system was unquestioned, it was only 8.7%. For purposes of calculating this ratio, member bank deposit liabilities have been substituted for member bank reserves at the Reserve banks, interbank deposits have been taken net, and Government deposits with member banks have been included although no reserves are now required against such deposits.

"(b) A potential source of improvement in the reserve position exists in the stabilization fund. In 1934, $2,000 million of the so-called profit from devaluation was set aside as a stabilization fund. Of this amount $1,800 million remains as gold and could be added to the Federal Reserve System.

"(c) The bulk of the demand for money in circulation has been supplied by Federal Reserve notes. On June 28, 1944 outstanding Notes made a high of $18,832 million compared with a 1939 high of $4,980 million. The reasons can only be surmised, but the principal ones are believed to be: higher payrolls to people not accustomed to bank accounts or who have moved and have not established new banking connections; more pocket money due to higher prices and larger incomes per capita; use of cash instead of checks for "black market" operations and tax evasion; and currency payments to the armed forces. The demand continues but inasmuch as it is not the result of any question as to the solvency of the banks, it is reasonable to expect that in time it will be reduced, and eventually, although perhaps not until after the war,

On Winning The Four Freedoms

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pelled, therefore, to use such occasions as this radio broadcast to seek from the President, both as President and candidate, information pertinent to the great decisions upon which not only the destiny of America but the world's hope of peace depends.

I begin by gladly assuming the sincerity of the President's belief in his Four Freedoms and the value of the contribution which he made in his first term to social progress. I am aware that the military forces over which he is Commander in Chief, stand on the threshold of speedy victory. Our great need is already not so much for Dr. Win-the-War as Dr. Win-the-Peace. If, then, in this campaign, I ask sharp questions, for instance, about the effect of a fourth term on democratic institutions, it is not because of particular suspicions of the intentions of the man, Franklin D. Roosevelt, but because of my suspicions of the effect upon any man of so long a continuance of the vast powers of the Presidency. Few, indeed, are the exceptions which history records to the rule that "power corrupts and absolute power corrupts absolutely," Please remember this preliminary statement as I begin my questions to Mr. Roosevelt, first on the all-important problem of winning the earliest peace that will last.

It is true that the most stupendous aggregation of military power in history will soon bring the Allies victory, even if that military offensive is not paralleled by any political offensive, based on a clear statement of peace aims, directed not to Hitler but to the minds and hearts of the people of the enemy countries—yes, of the world. But if such a political offense even at this late date should so weaken enemy resistance as to shorten the war by one day or spare one American boy from agonizing death, if such an offensive would save one European town from the kind of devastation that war, even for liberation, has brought to scores of the towns and villages of Italy and France, is it not unforgivable to neglect it? And since the principles behind such a peace offensive are exactly the principles upon which the winning of a lasting peace depends, is it not, Mr. President, a thousand times worth while to assert them in words that the humblest peasant, not only in Europe but in Java or Burma can understand?

It is terribly clear that there has been no such statement of the positive aims of the United Nations. The demand for unconditional surrender is no substitute for them. That merely masks the divisions among the United Nations themselves, while it tends to unite to the bitter end the peoples of the enemy countries and their rulers. Surrender will not really be unconditional. In Italy, that high-sounding phrase meant in reality a long series of negotiations, not with the forces of a rising democracy, but with the King and Badoglio, without whose support Mussolini could not have come to power, or held power, or entered the war as Hitler's jackal. And today we read that workers in liberated Rome get less than under German rule.

The war nears its end in an inferno of destruction, yet our American boys are left to guess the kind of peace for which they fight and die. What little information we have had concerns the post-war machinery for enforcing peace, rather than the nature of the peace we are to enforce. Hence this inquiry.

Mr. President, the plan which you have called "the great design" sounds to most of us like a revised League of Nations, more definitely dominated by the Big Four, in reality the Big Three, than was the old League by the major powers. The only great difference will be that America will be in rather than out. Now, as you may remember, back in 1932, when you and your party did not approve of America's entry into the League, I, on the basis of my party's platform, approved it under certain conditions. I can not therefore be accused of enmity towards the League. But will you not agree, Mr. President, that it is nonsense to say that the League which broke primarily on European problems, was damned by the failure of America to join it? Was it not rather damned by its own inherent weaknesses, by the rival imperialisms which the Peace of Versailles perpetuated, and by the impossibility of managing a Europe organized in a crazy-quilt of nominally sovereign powers most of them quite unable to support their sovereignty? And, today, is it not inevitable that Europe between the borders of Russia and the English Channel will be the football of the rival power politics of Moscow and London, unless a Europe of free nations can gain strength through confederation on the Swiss order or at least through strong regional federations? On the basis of what happened at Teheran, are we not underwriting Russian and British power politics and so committing ourselves eventually to a third world war?

Even more serious is the situation in Asia. Is it not true, Mr. President, that even the Japanese have already granted to the territories which they conquered, a degree of self-government which the United Nations have never promised? Granting that British Imperialism is better, or less bad, than German or Japanese, can a restored British Empire in South East Asia last for a generation except as—perhaps—it may be held together for a while by American power at appalling cost to every American home?

I am aware that some of your words and still more explicitly those of your Vice-President, have given a little encouragement to colonial peoples to hope, but the official declarations, notably that at Cairo, have been ominously silent. And they, not your private wishes, are what count. It is, for example, commonly understood that you agree privately with the unanimous vote of both Houses of Congress that an effort should have been made in other countries, as it was made in Greece, to feed the children of Hitler's victims, but in action you felt compelled to appease Mr. Churchill. The American people, Mr. President, are wondering what further concessions to new war you may have made to appease Mr. Churchill or Marshall Stalin?

You have no right, on your own record, to resent this question. You were insistent in the last campaign that you would keep our boys out of foreign wars and that your acts which logically led to war, were directed to peace. Those acts, we have just learned, included the destruction by military violence of two German weather stations on Greenland three months before Pearl Harbor.

I opposed American entry into the war in the belief that, at peace, she could better serve democracy at home and, in the long run, throughout the world. But I always recognized the strength of the case that could be made, openly and frankly, for our entry into war against the cruel German and Japanese aggressions. Whatever your motive, was not the Machiavellian process by which you manipulated the people towards war injurious to a democracy that rests upon truth and to the understanding on which lasting peace must depend?

This seems particularly true of your relations with the Japanese Government which you so long appeased and against which we were so ill-prepared. Only recently, Secretary Hull has insisted that the Japenese attack at Pearl Harbor was a pure and unprovoked surprise. I have questioned Mr. Hull—so far without answer—on his statement. I join in condemnation of Japanese imperial aggression and of the attack on Pearl Harbor without declaration of war. But I still ask whether, as Mr. Churchill believes, you would have put us into war anyhow. Did the British Prime Minister know more of your intentions towards the Japanese Government than the American people? That he did seems evident from his uncorrected statement to the House of Commons on Jan. 28, 1942, that you led him to believe at the Atlantic Conference, "that the United States, even if not herself attacked, would come into the war in the Far East."

I raise these questions, Mr. President, from no desire to stir up old controversies, but because our attitude to enemy peoples in part may depend on the answers, and because we have a right to know now, not too late for correction, the commitments you have made to our Allies.

No one knows better than we Socialists that there is no easy road to peace in a world in which the complete elimination of Germany and Japan would leave so many hates and so many rivalries for power and profit. But we shall march straight into a third world war, far worse cursed than this by robot bombs and obliteration bombing, unless we can enter the road which leads to a federation of free cooperative commonwealths. History and logic alike make it clear that no alliance of rivals can endure nor will the power of the Big Three go unresented. It is not a cartel of empires but economic and political cooperation of peoples who will begin to practice mutual forgiveness and find other relations between the weak and strong than imperial exploitation, which alone will save democracy in America and bringe pace to mankind.

I have not time to do more than raise very briefly certain other questions. They are all bound up in the winning of a decent world. Will you, Mr. President, in this campaign tell us specifically how you expect after the war, to provide the full employment which was never provided until Dr. New Deal became Dr. Win-the-War? Can we leave our natural resources and monopolies in private hands and then save ourselves from disaster by orgies of government spending at the price of a vast increase in interest-bearing debts? Is this your proposal? If not, what is?

What progressive social legislation have you in mind, or had you come to the end of your plans by 1937? Where do you stand on the conscription of labor in war and peace? And on permanent military conscription of all our youth after this war?

No one doubts, Mr. President, your personal good will to men of all races, yet you almost killed your own Fair Employment Practice Commission, you have countenanced racial discrimination in the armed forces and you have never put your official power behind the drive for anti-lynching and anti-poll tax legislation. What do you now propose to do in this dark field of racial strife?

The political reasons which have silenced you are bound up in a party alignment in America which jeopardizes democracy. Do you believe that a party like your own, which rests organizationally on the Southern Bourbons like Bilbo and the Northern bosses like Hague, both of whom, especially the latter, you have continuously appeased, can ever be the vehicle for achieving plenty, peace and freedom?

My questions, Mr. President, have followed the major divisions of the Socialist platform, which in your busy life you may have overlooked. I am, therefore, sending you a copy, so you wlil know our positive case for achieving your four freedoms—and more. You may find it suggestive, as you have found former socialist documents.

And I am inviting you, my listeners, to consider this speech, alongside of our platform which you can get by writing to the National Headquarters of the Socialist Party, 303 Fourth Avenue, New York City.

We are in the deepest earnest when we tell you that we are in this campaign solely because we believe that plenty, peace and freedom for yourselves and the generation of your little children, whom you long to save from war's worse destruction, depend upon the principles we have set forth. Leadership is important but no blind trust in any leader can save you. You can save yourselves, but not until you will make political action mean far more than it means today in America. And that requires a great Socialist vote in 1944.

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a return flow is anticipated. The return of a substantial part to the banks is an important potential source of post-war improvement to the banking position. The suggestion has been made that if the demand continues, Reserve banks should issue Federal Reserve Bank Notes which are secured by Government securities, instead of continuing the issue of Federal Reserve Notes which require a gold reserve.

"(d) The Federal Reserve Act requires payment of a penalty if a Federal Reserve bank fails to maintain gold equal to 40% of outstanding Federal Reserve Notes, and gold and legal reserves equal to 35% of deposits. These ratios may be changed by law, and in the past a 25% minimum has been mentioned. Of course, neither a reduction of reserve requirements nor issuance of Federal Reserve Bank Notes would improve the real banking position, but they indicate the expedients that can be used before a revaluation of gold is necessary.

"The high prices for gold in the world's free gold markets," concluded the author, "are the result of special war-induced circumstances and are unlikely to have an important influence on the U. S. price for gold; the condition of the Federal Reserve System is stronger than indicated by published figures, and can be strengthened and its weaknesses mitigated by various means; present indications are that international currency stabilization without a return to a free gold standard will be attempted; and in the immediate post-war period the problem will be to prevent an inflationary rise in prices until production of peacetime goods is again available and the deferred demand satisfied.

"In our opinion, during the war or the immediate post-war period, it is unlikely (a) that an increase in the U. S. price of gold will be forced by monetary or foreign exchange conditions, or (b) that a voluntary increase will occur because of the desirability of avoiding all measures likely to stimulate inflationary tendencies. Under such conditions, the purchase of gold mining stocks as hedges against possible dollar depreciation does not seem timely. This conclusion, however, does not preclude the purchase of stocks of good gold mines for diversified portfolios, nor of speculative issues based on ore body developments, provided they are reasonably priced without the benefits of an increase in the price of gold.

"The above conclusions are limited to the war and to the post-war period during which the anticipated post-war demand is being satisfied. Gold prices beyond that period have not been discussed because of the greater number of uncertainties and because such time is too far in the future to be of current financial importance."

Nat'l City Bank Holds Time Is Not Ripe For Monetary Stabilization

(Continued from page 173)

"While the international bank has not been discussed as much as the fund, the objections from the standpoint of magnitude and credit risks are equally great. In fact, with the much more complex and technical nature of the bank credits involved, it becomes even more important that decisions should not be made by a bank the majority of whose directors are debtors.

"Fortunately, the choice before the conference is not just between the plan of the experts and no plan at all. There are certain things that can and should be done at this time.

"The first of these is the provision of some permanent machinery for continuing international consultations on currency matters. This might take the form of some kind of council or institution to serve as a regular meeting place and focal point for study and discussion. Such an organization could be immediately useful in dealing, for example, with the question of money for occupied territories. In this way a habit and procedure for collaboration would naturally develop that would be helpful later on in fixing the value of currencies and in meeting other problems in connection with the repairing of the shattered fabric of international trade and exchange. There is no reason why consultation should wait on the perfection of credit arrangements which are in fact not needed for some time to come.

"The second of the steps that needs to be taken now is the formulation of a program for aiding Great Britain in reestablishing her monetary and trade position, and particularly for dealing with the special problem of her war-panded "blocked" balances. This is one of the key questions that needs to be dealt with as a preliminary to determining exchange rates and reestablishing multilateral trade and clearings.

"It is wholly fallacious to think of most of the countries of the world as devoid of purchasing power and dependent upon this country for huge credits in order to get going after the war. The fact is that, as a result of vast expenditures by both Great Britain and the United States, the rest of the world has accumulated huge reserves in dollars and sterling—to the extent that many countries are threatened by serious inflation. For example, South American countries already have over $3,000,000,000 of gold and dollar exchange, while international sterling balances accumulated in London are estimated as high as $8,000,000,000. Even some of the occupied countries, notably France, have substantial holdings of gold in safekeeping abroad. The countries that will have little or no foreign purchasing power will be limited.

"The question of credit needs thus boils itself down largely to a British problem which we and the British ought to be able to deal with between ourselves outside of any blanket monetary program."

Rail Situation of Interest

Grand River Valley Railroad first 4s of 1959 offer interesting possibilities according to a circular being distributed by Adams & Peck, 63 Wall Street, New York City. Copies of this circular may be had from the firm upon request.

Municipal News & Notes

Barring developments of an extraordinary and now unforeseeable nature, there is every reason to expect continued strength in municipal bond prices for the duration of the war, at least, Halsey, Stuart & Co., Inc., point out in the current edition of the firm's annual Mid-Year Review of the Municipal Bond Market. It is also questionable, the firm says, whether even a cessation of hostilities will be accompanied by any significant change in the basic factors responsible for the present high price level.

On this point, the bond house observes that until "the Federal debt is put on a permanent basis, interest rates must be kept low," and while taxes must necessarily continue at "burdensome levels" even after the war ends. Furthermore, while the return of peace will result in an expansion in the volume of municipal financing, it is "debatable" whether the level of borrowings will attain the peak generally anticipated in various quarters.

The present level of municipal prices may well prove to be the absolute high, the bond house indicates in saying that "it is difficult to anticipate logically any further important gains." In elaborating on this thesis, the review notes as follows: "Certainly taxes now approximate the peak of their potentialities, interest rates can hardly be lowered without weakening incentives for accumulation and, with any prospect of peace, the volume of new issues should expand at least moderately rather than contract further."

Turning to the post-war outlook, the Review states that the trend in prices and emissions will be determined by national and international policies and by the general economic situation, particularly in such matters as the volume of production, taxation, inflation controls and, above all, the latitude or lack of it allowed to private enterprise in working out its own and the general problems."

While commenting on the existing favorable financial status of most state and municipal governments, the opinion is expressed that "caution is necessary if, based on existing favorable conditions, we are inclined to be overly optimistic about their continuation after the war. The cost of municipal government will almost certainly be higher in post-war years. The higher wage level, the increased personnel necessary to resumption of normal, possibly expanded operations, the increasing introduction of pension and retirement plans and the higher cost of materials, all point to higher costs. A very large amount of deferred maintenance must be made up and demand will arise, often from sources which will carry but little of the cost, for improvements which if authorized will add not only to debt, but to costs of upkeep as well.

"Whether increased taxes will parallel these increased demands depends primarily, as has been said, on economic conditions. It will also depend on a proper allocation of taxing powers between the Federal and the local governments. Through income and excess profits taxes, the Federal Government now has first call on the taxpayer's purse. If national income is well maintained in post-war years, the requirements of both branches of government can be adequately met, but if reduced to a point where taxpayers cannot meet the combined demands, the local governments will be the chief sufferers."

On the question of post-war debt control and new emissions the Review has this to say: "Post-war planning by states and municipalities has assumed almost universal proportions. Many of the plans are idealistic and grandiose, made with far less consideration of costs and ability to pay than hoped-for benefits. Granting the desirability of looking ahead and of building to a plan rather than haphazardly, sight should not be lost of the vast Federal debt which we shall inherit from the war, which debt must be paid from the same pockets as local needs. Nor can we overlook the increased costs of municipal government which must be expected even without desirable but non-essential additions to existing facilities."

Those who reason that a large outpouring of new state and municipal bonds can be confidently expected in the post-war period are, according to the Review, "influenced too much by acceptance of blue prints as actualities and by analogy with the situation following the last war when, it is true, there was a pronounced upturn in the volume of state and municipal flotations. The Federal debt then was, however, vastly smaller than what we shall have this time, nor had we at the end of the last war the painful experience of a post-war deflation to temper our post-war enthusiasms."

Although Halsey, Stuart & Co. Inc. question the reasoning of those who contemplate a volume of post-war municipal borrowings in unparalleled amounts it states that "some increase from recent levels must, of course, be expected. Very probably there will be an increase in the volume of revenue bonds, together with reasonable increase in direct obligations to pay for accumulated needs of the war years and the really essential requirements of the post-war period. Particularly will this be true of those areas which experienced large growth during the war and which are able to hold their gains in the years to follow. As a corollary to this, however, consideration must be given to the permanent losses in industry and population suffered by certain other cities and areas, which, in consequence, will have less need and capacity for capital expenditures than before the war."

NOTICE OF REDEMPTION

$40,974,000 Consumers Public Power District, Nebraska, Revenue Bonds

To holders of the following Bonds of the Consumers Public Power District, Nebraska:

NOTICE IS HEREBY GIVEN that the Consumers Public Power District, Nebraska, has called for redemption on

AUGUST 1, 1944

all of the outstanding bonds of the various Divisions of the District named below, the said bonds being called for payment on said date being more particularly described as follows, to-wit:

Columbus Division Revenue Bonds, dated July 1, 1940, of the denomination of $1,000 each, numbered from 201 to 1250, inclusive, bearing interest at the rate of three and one-half per centum per annum.

Southern Nebraska Division Revenue Bonds, dated October 1, 1940, of the denomination of $1,000 each, numbered from 34 to 1098, inclusive, bearing interest at the rate of three and one-quarter per centum per annum.

Elkhorn Valley Division Revenue Bonds, dated November 15, 1940, of the denomination of $1,000 each, numbered from 73 to 850, inclusive, bearing interest at the rate of three per centum per annum.

Northeastern Nebraska Division Revenue Bonds, dated December 15, 1940, of the denomination of $1,000 each, numbered from 341 to 3981, inclusive, bearing interest at the rate of three per centum per annum.

Central Nebraska Division Revenue Bonds, dated January 1, 1941, of the denomination of $1,000 each, numbered from 453 to 6750, inclusive, bearing interest at the rates of two and one-half, two and three-quarters and three per centum per annum.

Eastern Nebraska Division Revenue Bonds, dated April 1, 1941, of the denomination of $1,000 each, numbered from 1041 to 22000, inclusive, bearing interest at the rates of two and one-half, two and three-quarters, three, three and one-quarter and three and one-half per centum per annum.

Western Nebraska Division Revenue Bonds, dated January 1, 1942, of the denomination of $1,000 each, numbered from 238 to 8300, inclusive, bearing interest at the rates of two and one-half, three and three and one-half per centum per annum.

Holders of the aforesaid bonds are notified to present the same at any of the places of payment specified in said bonds on or before August 1, 1944, for redemption at the respective redemption price on said redemption date with respect to each such bond as is set forth on the face thereof, and are further notified that interest will cease to accrue on said bonds after the date so fixed for redemption.

CONSUMERS PUBLIC POWER DISTRICT
By: V. M. JOHNSON,
General Manager.

Dated: July 1, 1944.

Carrying Water On Both Shoulders

(Continued from page 171)

mittee, the Commission ruled that all briefs were to be exchanged and filed within two weeks, and the parties were to have an additional week within which to reply.

Information comes to us now that the **Securities Dealers Committee** filed its reply brief. Whereupon the NASD after gaining physical possession of it, applied to the Commission for more time. While we learn that the Commission rejected this request, the fact remains that, for the second time, the Association sought an advantage to which it is not entitled, the filing of a rebuttal brief under the alleged guise that it is merely a reply brief.

This whole set up and attitude makes us wonder whether NASD's conduct and crassness is based upon the belief that the issues are before a friendly forum sympathetic to the policy which has been foisted upon securities dealers.

We re-assert our contention—hitherto met with complete silence—that those in the securities field have a right to be informed what conferences, if any, between SEC and NASD preceded the birth of the 5% spread limitation yardstick. Won't you agree this has been a most significant silence, a silence, as we believe, based upon fear of the consequences?

Comes the highlight of recession! The Association now contends that under no circumstances is the 5% spread policy enforceable or does it change or affect any of the elements determinative of business conduct cases.

Well, sir, you can knock us over with a feather. What next, and do wonders ever cease?

Not enforceable! What good is it? Why did the Association direct its enforcement?

We quote from the NASD letter of Nov. 9, 1943, sent to all District Business Conduct Committees:

"What is the effective date for enforcement of the standards set forth in the letter of Oct. 25? What is its effect upon pending complaints—complaints upon which decisions have not been rendered? What is its effect upon policies to be pursued by Business Conduct Committees in consideration of transactions of a date prior to the letter?

The effective date for enforcement of the standards set forth in the letter would be the date of receipt by the member and in no event later than Oct. 31, 1943. The standards do not apply retroactively. Therefore, pending complaints and transactions of a date prior to Oct. 25, the date of the letter, would be considered and disposed of in line with policies of the Committee prevailing prior to that date.

Unenforceable! Then why support the policy before the Commission? What type of straddling is this?

This is a new stature in word gymnastics, directing the enforcement of a claimed unenforceable policy.

We'll say there is a change in the elements of business conduct cases, since the 5% philosophy, policy, interpretation and yardstick—all dodging substitutes for the word rule which it really is—has gone into effect. For the first time where a mark-up exceeds 5%, a duty is imposed on the NASD member to show to the satisfaction of the Busines Conduct Committee that no violation has occurred, all this in a trial before a committee of his competitors.

Clever, these Chinese!

Seen And Heard At Bretton Woods Monetary Conference

(Continued from page 170)

dundant currencies have proportionately diminishing voice in fund's control? Under this plan their vote remains unchanged."

* * *

Dewey's statement to me coincides with reports Poles and others are saying they will want constant and liberal post-war credits.

* * *

Harry White reveals the conference must end by July 19, conceivably may adjourn leaving some questions unsettled. Parities will be settled here only "in principle." Quotas are proving very difficult questions. Another such conference is a possibility, although not here predicted.

Mexicans today disclosed Latin Americans are insisting world bank give approximately equal attention to "development" and "reconstruction." Boys will be boys when the pie is being cut.

* * *

Chief Russian Delegate Stepanov, Deputy Foreign Trade Commissar, rumored much more important Soviet figure than appears on surface. Reportedly his cable wordage greatest of all delegations and not only consulting Moscow on fund-bank plans, but conducting from here his regular official duties.

* * *

Variety commodity "stabilization" and "pool" ideas advance here,

Members Of Security Exchanges Can Now Pay N. Y. Stock Transfer Taxes Thru Clearing Houses

The New York State Tax Commission, under authority of Chapter 508 of N. Y. Laws of 1944, has issued the regulations, effective July 1, 1944, whereby it will no longer be necessary for members of any registered securities exchange in the State to affix the stock transfer tax stamps on their stock sales, regardless of whether such sales were made on the floor of the exchange or over the counter. Under the new arrangements, a member of an exchange will pay the tax on "sale, delivery or transfer of stock or other corporate certificates" to the clearing house affiliated with the exchange of which he is a member. In cases where a broker or dealer has membership in more than one exchange, such broker or dealer may designate the clearing house to which he is to pay the tax, and such designation, when once made, is irrevocable, unless a change is approved by the State Tax Commission. After a consultation between the officers of the New York Stock Exchange and the Curb Exchange, it has been decided that, in the case of dual membership in the New York Curb Exchange and the New York Stock Exchange, State taxes shall be paid through the clearing corporation of the New York Stock Exchange. However, each broker or dealer in making his report to the Stock Clearing Corporation, must itemize separately the taxes due on (1) New York Stock Exchange transactions, (2) New York Curb Exchange transactions, and (3) all other transactions. Brokers or dealers who are not members of any securities exchange registered by the Securities and Exchange Commission in New York State will continue to use the stock transfer adhesive stamps as a means of making their tax payments.

It is required under the new regulations that each clearing corporation to whom a report on tax payments due is made by members, shall on the business day on which it receives any such report, remit to the depositary designated by the State Tax Commission the aggregate of all taxes received by it. The clearing corporations, in turn, are authorized to charge the accounts of members with the amount of taxes in their regular settlement statements.

Under Article 4 of the new regulations, "Every broker executing or effecting a sale, delivery or transfer where taxes are paid through a clearing corporation shall impress by rubber stamp on the memorandum of sale for each transaction a certification substantially in the following form:

"It is hereby certified that the New York State and Federal stamp taxes applicable to this transaction have been paid through

(Insert name of clearing corporation)

(Member securities exchange)"

"Such certification shall bear the facsimile signature of the broker, and the rubber stamp shall be kept in possession of the broker and used only by him or his duly designated representative."

A similar prescribed rubber stamp certification of the taxes paid through a stock clearing corporation, is to accompaany the stock or other corporate certificate when presented for transfer. Printed forms (STB 1100, and STB 1101) are required to be filled out by brokers and dealers in reporting daily tax payments to the clearing corporation, and by the clearing corporation in reporting remittances to depositaries of the State Tax Commission.

"Trading With Enemy" Powers Invoked Toward Finland

Alien Property Custodian James E. Markham announced on July 1 that in accordance with the determination that the Government of the Republic of Finland is now a puppet of Nazi Germany, and that Finland is a country occupied by and under the control of Germany he will invoke his powers under the trading with the enemy act with respect to Finnish property in the United States. Mr. Markham said that the Alien Property Custodian's general orders previously issued and applicable to other enemy occupied countries now apply to Finland. It is further stated in the announcement:

"Particular attention was directed to general orders numbers 5, 6 and 20, which relate to property or interests of persons within an enemy country or enemy occupied territory involved in court or administrative actions or proceedings and in general orders numbers 11 and 13 relating to patents, copyrights, and trademarks.

"The Custodian said that his office was not able at this time to give any estimate of the value of Finnish property that would come under his control."

although deemed extraneous to monetary stabilization. Latin American especially interested.

* * *

Half dozen more New Deal philosophers yesterday reinforced large contingent already here. Today conference considering loans-to-capital ration of proposed world bank, with discussions lively. Some American suggestions far more liberal than British and Dutch approve. Some Americans here regret that, with United States supplying biggest slice of bank's capital, some American technicians outdoing liberality of foreigners in bank's to-be-authorized activities. American technicians themselves are split over this point. Proposals range from ratio 75% to as much as 300% for loans and guarantees as compared capital.

* * *

Incidentally when Congressman Dewey arrived here, the conference officials were hard put to it to decide how to list him on the revised delegates' roster. Congressmen from the House Coinage Committee, who had made their arrangements earlier, were listed as technical advisors—although they have not been noticed doing any advising of the American delegation. Finally, it was decided that Mr. Dewey, as representing the House Post-War Committee, should be listed as "a distinguished guest."

* * *

Late recruits to the otherwise dwindling press contingent here on July 8 were Mrs. Cecilia Wyckoff of the Magazine of Wall Street and a lady companion, who have a chauffeur to drive their limousine back and forth between Bretton Woods and Twin Mountain, where the press sleeps.

* * *

Senator Tobey, who left the conference for a few days after it started, appeared at one of the committee meetings with 14 visitors whom he had escorted past the gate. They arrived at this particular committee just at what some regarded as an unfortunate moment, for the Mexican, Antonio Espinosa de los Monteros was vigorously defending the theme that currency parities must be fixed by the fund under "democratic procedure," that is, Mexico's voice should be as loud as that of the United States in such decisions.

* * *

Saturday night in the hotel lobby: Lord Keynes carrying a cap . . . Dean Acheson wearing a brass-buttoned coat, with, on the breast, the coat of arms of Davenport College . . . A courteous European kissing a lady's hand . . . A knot of reporters talking over that day's ousting from the conference grounds of a silver lobbyist . . . Six people in a large auditorium seeing movies of national parks. . . .

* * *

An economist of a foreign delegation observed to the writer that it might have been better strategy to try to agree first on the Bank and on the Stabilization Fund second, or perhaps to have sought only a world reconstruction bank, inasmuch as the functions of the proposed Fund and Bank overlap so much that it really is not easy to draw the line between them. This view, of course, the American delegation does not share.

* * *

From the standpoint of most countries represented here, the important goal is that a stable rate of exchange between the pound and the dollar prevail after the war. Then other countries can readily adjust their own currencies thereto. The foregoing view, also from above-mentioned economist, is strikingly similar to the argument long urged by some bankers in the United States that the bilateral approach is all that is needed to set the world on the road to stabilization.

* * *

Mr. Silvermaster, mentioned in our last week's column, has left Bretton Woods because "the climate did not agree with him." The Mexicans, who doubtless are more accustomed to high altitudes, thus would seem to remain possessors of the field, and by American default the real "silvermasters."

* * *

What will happen if a Fund plan emerges from Bretton Woods and later is amended by Congress, or what amounts to the same thing, accepted with reservations, is anybody's guess. The differences might be ironed out by diplomatic correspondence or otherwise, or it might be necessary to hold another session of the Bretton Woods conference.

* * *

Some Britishers are afraid the American constitution will require too much of the lawyer's approach in the management of the Fund. The British want not only flexibility in the written provisions, but also wide latitude for the managers. Their viewpoint is that the proposed Fund is unlikely to be long successful unless managed by persons with much experience in political dealings between nations. The emphasis being placed on legal aspects is reflected in the presence here of the well-known New Deal lawmaker, Ben Cohen, and at the press conferences and in the committee meetings of the youthful and capable Mr. Luxford.

* * *

American reporters get as much or more information of the type not released in the press conferences from foreign delegates and technicians, as from Americans.

* * *

In the press conferences each day, the accomplishments of the several committees are reported either by Dr. White, by his assistant, E. M. Bernstein, or by Mr. Ansel Luxford, of the office of the General Counsel of the Treasury Department. From the standpoint of exposition, Luxford makes a good impression on the reporters.

* * *

There are here quite a few women reporters. Miss Lam represents the New York "Journal of Commerce," Miss Porter the New York "Post," Miss Sigrid Arne the Associated Press, and Miss Frieda Utley the Shanghai "Evening Post," etc.

* * *

Sir Wilmott Lewis, well-known and popular Washington correspondent of the London "Times," is living up to his reputation as a raconteur par excellence. His stories always have a point which is the point. In the press conferences, "Bill" sits against the wall and emits a low-pitched profundity on only those rare occasions when what he calls the "lime juicer" viewpoint seems to be going down for the third time. His titillation of the diaphragm is reserved for the less formal hotel lobby, the bar, and most any other place.

* * *

The CBS broadcast of a "press conference" of youthful Mr. Luxford on July 8 was virtually an impromptu affair, with very little advance preparation.

* * *

At a July 9 press conference a spokesman referred endorsingly to the financial strength of the Latin American countries today. When asked whether in the committee discussions of this as a factor that should play a part in Latin America's voice in the Fund any account was taken of the fact that Latin America still owes a lot of money to American and other investors, which is an offset to their financial "strength," the answer was: "No, not any more than the war debts are taken into account." This touches on one of the fundamental criticisms that have been made of the Fund plan, namely: That each member will have a "line of credit" to draw against the Fund for foreign exchange, regardless of its debt record.

* * *

Once the conference ends, the hotel will be full of ordinary vacationers. Not exactly ordinary ones, perhaps, but those able to pay from $18 to $94 per person per day. For their convenience, it is said, a stockbroker's office will be opened in the basement.

* * *

Two South American delegates travelled 11,000 miles to get to Bretton Woods.

* * *

The guiding brains of this conference have taken a page out of corporation experience in recommending for the selection of the management of the proposed international Fund the proportionate system of voting. Under it there will always be, for any one member, some representative of its viewpoint on the management.

* * *

Most of the correspondents who have come here arrived with no very clear picture of what the Fund was all about. It seems safe to say that, as a result of the daily press seminars, most of them will leave Bretton Woods impressed with the Fund's advantages.

* * *

On issues in which the individual countries have no particular local interest, Latin American countries are strongly inclined to support one another. Mexico, for example, counts heavily on this fact in its silver efforts here. A country like Brazil, which has no interest at all in silver, will none the less support Mexico in the final showdown. Silver in this case is just an example. The same principle applies to any other question among Latin American countries. It is log-rolling such as is quite familiar in the American Congress.

* * *

While on silver, it seems safe to conclude at this date that there is already a tacit understanding between Mexico and the United States delegation here. The Mexicans seem to have sold the Administration on the idea that a "gesture" will prove harmless, and the Administration, having the silver bloc in mind, clearly shows that it agrees.

* * *

It has been clear from the start that all the delegates from the United States were agreed before coming here on the general principles of the Fund and Bank plans. To this there appears to be no exception.

* * *

One foreign delegate commented to the writer that in his view the American delegates, other than White and maybe one other, was of "weak quality," but that the American technicians were "first rate." Some of the American delegates, he added, showed up very poorly in committee meetings.

* * *

Mrs. Keynes comments glowingly on the wonderful change from rocket-bombed London to the peace and beauty of the Presidential Range, towered by Mt. Washington. The British are not the only ones enjoying the cuisine at the Bretton Woods dining room. Americans, too, are thriving in this "point" less paradise.

* * *

A Greek delegate appeared at the colorful outdoor swimming pool, his bathing trunks held up by a piece of string. It looks like Greece will need stabilization in a hurry.

* * *

Harry White continues to impress reporters with his stamina, his hard work, his sincerity and faith in his plan as unassailable. His right hand man, here as in Washington, E. M. Bernstein, who has been in on the Fund and Bank plans from the start, continues to add to his reputation as a walking encyclopedia on the subject of the Bretton Woods gathering.

* * *

Probably in no city of the United States would one expect to find more faithful adherents to the gold-standard idea than in the conservative capital of the Bay State. That this is indeed the case is indicated by an interview the writer has just had with a nationally known banker, who prefers to remain anonymous.

That banker, contrasting the plan which the Bretton Woods Monetary Conference is about to consider with the gold standard, holds that only through gold can the nations of the world maintain stable currencies in a free economy. Only by maintaining a fixed value in dollars for the great store of gold at Ft. Knox and permitting its free use can we hope to achieve monetary stability of foreign currencies, he states.

Therefore, this banker continues, Congress should fix the price of gold definitely and permit unlimited purchase and sale of the metal at that price, thus returning to the tried and tested base for our money. Once that is done, other countries can tie in their currencies to ours and to gold, assisted if necessary with carefully extended credits.

What this banker in effect seems to say is that we should approach stabilization of world exchange rates not through the multilateral Keynesian approach, not even through the bilateral method of first stabilizing the pound-dollar cross rate, but by the unilateral example of this country alone going back to a full gold basis.

Even an international bank such as the Fund under consideration at Bretton Woods, this Boston financier maintains, should be tied to the solid foundation of the United States gold stock.

* * *

Erle Cocke, Vice-President of Fulton National Bank, Atlanta, and Regional Chairman of SWPC, has been here since Sunday in line with Senator George's idea that commercial banks be represented at the conference. Mr. Cocke came to the conference as a "distinguished guest" on invitation of Treasury Secretary Morgenthau and Fred Vinson, Stabilization Director. He believes that International Monetary Fund will increase outlet for farm products and has represented in Georgia various Federal agencies, including the CCC, RFC and the Federal National Mortgage Co.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 176)

But if the urgent signs are missing the undercurrents that tend to pull stocks down are present.

* * *

Strength is no longer general. It seems to be scattered. Fewer and fewer issues participate in daily up moves. And even if this situation is not general—it is an indication that should not go unheeded. For if this tendency spreads, all recent and current paper profits can go up like dry straw on a hot stove.

* * *

Signs of hesitation are mostly present in the leaders. General Motors which made 65 three weeks or so ago is still at about 65. General Electric has also stood still for the past few weeks. Westinghouse Electric, on the other hand, which was 108 and a high fraction a few weeks ago, is now down to about 104; Chrysler, 98 two weeks ago, is now about 96. These are not harbingers of a good market. Somebody is obviously in there selling. That somebody is doing the buying is also as obvious. But the two transactions don't seem to jibe.

* * *

So while I see the possibilities of an inflation fear psychology taking hold, the more immediate potential seems to point to a down move. So the advice to postpone new buying still obtains.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Post-War Employment

(Continued from page 171)

duction of war-goods, as a precaution against possible, if not probable, adverse eventualities, will no doubt be continued for some time after the armistice. This will do much to ease the shock of transition. The provision of new peace-time equipment will, moreover, absorb a good deal of labor. But there will still be many potential workers which private industry will not, at the moment, be able to absorb. For these workers transitory occupations should be made available. This will necessitate a great **ad hoc** expansion of such public works as can offer a large volume of employment without the use of equipment not currently at hand. Publicly supported housing and other building projects on a great scale would seem to fill the bill,* while highway construction and conservation of the land (to forestall erosion, restore fertility, check floods and dust), could absorb large numbers of workers in the present and pay handsome dividends in future social welfare. The necessity for these, and similar, projects cannot too early be foreseen nor provision for them made. Even so it will be difficult to avoid some temporary unemployment. With dismissal wages or their equivalent, however, whether for those out of the Army or from war industry, this need cause no great distress. To many, a temporary release from work might even be welcomed (provided it were of only moderate duration) and educational opportunities should be given to all those who desire, and can make good use of, them.

Whatever the troubles of the transition period they will be minor as compared with those of a great depression, such as that of the early thirties, and it is on a not improbable repetition, and perhaps worsening, of the evils of those years that men's fears are chiefly centered. Even after retooling is completed we may, perhaps, expect a boom. But the shadow of depression will be in the offing. It is to the **maintenance** of the production of ploughshares, and all other peace-time goods, that our chief attention should therefore be directed. On transitional employment the writer has nothing very novel to suggest. When the transition from war to peace has been effected, however, full employment becomes not a physical but an institutional problem and its maintenance is, in consequence, capable of complete solution through the establishment of the appropriate institutions.

There can be little doubt that the proximate cause of every economic depression, except such as arise from shortage of equipment, lack of raw materials, or intolerable persecution of enterprisers, is a net increase in the public's preference for liquidity. We have, in the financial world, discovered the remedy for this condition but have failed to apply it to industrial production. Financial crises, in consequence, are becoming mere memories of a disordered past, whereas economic crises continue to devastate our lives.

When financial crises occur, central banks have learned to sate the prevailing passion for liquidity.[1] At such times the central bank freely issues its own credit (debt), which is, by definition, liquid, in exchange for the temporarily frozen assets of commercial banks.[2] To all intents and purposes this monetizes these assets, but there can, in the circumstances, be no danger of inflation. Because the passion for liquidity is thus assuaged, however, and because liquidity is costly, the thirst for it is quickly slaked. The commercial banks then repurchase their assets; the money they pay for them is retired, and all is as it had been before the crisis struck.

When an economic crisis occurs, however, the originating thirst for liquidity is not assuaged but, on the contrary, is intensified as the need and advantage of it becomes greater in the attendant lack of markets, fall in prices, and cancellation of bank deposit currency.

The remedy is to apply to industry the technique we now use for finance and to offer liquidity to the industrial enterpriser as we now offer it to his financial fellow. There is no good reason why an appropriate institution should not liquefy frozen inventories, just as we now liquefy frozen financial instruments, and, when the thirst for liquidity is quenched, return the goods, in exchange for the money issued in their acquisition, just as we now return financial instruments to their bailors when the passion for liquidity subsides.

For all standard, storable, raw materials (goods unspecialized to a particular use) the monetary authorities should at any time stand ready freely to buy (with newly issued means of payment), and freely to sell, warehouse receipts covering representative bales of such commodities, just as, formerly, they were prepared freely to buy and sell gold.[3] Whenever depression threatened, and the aggregate price of the goods in a representative bale had declined to the established level, there would then be a ready market, at a fixed price, for any number of the representative bales of goods. By reducing the supply of such goods on private markets, and at the same time increasing the public's supply of purchasing power, this process would, sooner or later, reverse the trend of prices. As soon, however, as the market price of the aggregate of goods in the bale began to rise, the documents giving title to them would, of course, be redeemed.[4] The money paid in for them would then be retired.

The results would be:

(1) Stabilization, within narrow limits, of the price of the aggregate in the representative bale. All price **relationships,** however, and the price of any given commodity, would be as free to vary, in response to changing demand and supply conditions, as has ever been the case.

(2) A limitless market, at a constant average price, for the basic commodities of industry.

(3) A tendency toward stabilization of the general price level. Whenever raw materials were withdrawn from the market, and put in reserve, the money paid for them, if spent at all, must be spent for other commodities. This would tend to raise their prices, and, since the raw materials necessary to their production would, as units, be redeemable at the fixed price, profits would increase. The consequently increased production of finished goods would check the price rise, however, especially since money would have been drawn out of circulation in redemption of the raw materials.

(4) A tendency toward stabilization of the whole economy, at a high level of production, through use of a reservoir absorbing commodities whenever hoarding (high liquidity preference) caused private demand to slacken and disgorging them as demand quickened into what would otherwise be an inflationary boom.

The accumulation, delivery, and redemption of warehous receipts covering representative bales could safely be left to private brokers, under the incentive of profit, but the cost of storage of the goods involved should be carried by the monetary authorities. This cost could, if desirable, be covered out of profits in a spread of perhaps 3% between the buying and selling price of the warehouse receipts.

In comparatively tranquil times it is probable that the procedure just outlined would prove enough to keep economic activity persistently high. But, for periods of greater stress, stronger measures might be necessary. We should therefore adopt a similar procedure (which cannot, however, be quite so automatic) for those finished goods which, though storable and not rapidly obsolescent, are not, over time, fully standardized. This would include most durable consumers' goods and a large part of the output of producers' goods.

A Federal Reserves Corporation (FRC) should absorb these goods at need and release them when the desire for liquidity had passed. The following procedure is suggested:

(1) On the appearance of depression, the Corporation will take over, on a repurchase contract, the otherwise unsalable standard output of responsible manufacturers of storable goods. It will pay for these goods in newly issued bank credit.

(2) The Corporation's purchases are conditional on the undertaking of the manufacturer to repossess the goods, as soon as private demand revives, at the price paid by the Corporation.

(3) The price paid, is, in consequence, a matter of comparative indifference but should, in principle, be no more than sufficient to cover the manufacturer's actual outlays for the labor, raw materials, user-cost of equipment, and mechanical power, involved in the production of the goods he delivers.

(4) The goods acquired by the Corporation will be stored under seal on the manufacturers' premises, or elsewhere, and insured with, and for the benefit of, the Corporation. Title to the goods, subject to the Corporation's lien, remains with the manufacturer. The Corporation, therefore, could not sell them.

(5) The manufacturer will be entitled to sell the goods to any buyer, at any time, for any price he can get.

(6) Except with the consent of the Corporation the manufacturer agrees not to fill from new output any private orders for goods of which the Corporation still has a stock, of his make, in storage.

(7) The Corporation will shift the emphasis of its acquisitions, to correspond with evolving demand, whenever it appears that it is accumulating an excessive supply of any type of goods relative to other purchased commodities. But, so long as the depression continues, it will keep its aggregate purchases at the level necessary to maintain full amployment.

(8) The Corporation will bear storage costs.

The acquisition of the goods by the Corporation would cost nothing but a few strokes of the pen, and for every dollar of credit issued the Corporation would have a corresponding vendable asset.[5] Aside from relatively small storage costs the worst that could happen under these proposals, then, is that some goods would be stored that would prove hard to move at the price paid by the Corporation. The manufacturer might never wish to redeem them, and would prefer to go out of business. But, since all the goods purchased would have been bought with costless money (newly created bank deposits), this would be a matter of no great consequence. The Corporation might be given title to such goods and dispose of them for whatever they would bring.

Inflation is impossible so long as goods are being acquired by the Corporation. On the contrary, the purchases are then necessary to prevent deflation and widespread shutdowns. When business picked up, however, the Corporation would have a perfect hedge against inflation in the release of goods and the retirement of the money paid in for them.

In no other way could employment be sustained, the price level stabilized, and the present mercurial character of economic activity reduced, at such trifling cost. There would, moreover, be no interference with the ordinary processes of production and trade; no one would be compelled to do anything against his will; efficient producers and sellers, carrying on business precisely as at present, would make money while the inefficient would be eliminated; restriction of production and other social inefficiency would be discouraged, and no rationing of the consumer, or governmental "directives" to producers would be necessary. Workers would be steadily receiving money incomes and, if they did not spend them, could clearly be in no very exigent circumstances.

If we should ever find that, with the money to buy, we had more goods than we really wanted, the remedy is easy—we need merely reduce the length of the working day. The fact is, however, that the issue of money, without a corresponding appearance of goods on the mgrkat, will almost certainly produce the "shortages" we are now experiencing. But we should then have the means of relieving them. The "reservoir," disgorging goods in exchange for money thereupon retired, would thus preclude the appearance of either phase of the problems attendant on inflation.

The reservoir is the means we use for smoothing out irregularities of flow in the physical world and it has equal possibilities in the realm of economics. If, as a minor supplement to the program outlined above, we should use the same principle in connection with normal (that is to say, **per se** desirable) public works projects, spacing them so as to compensate for fluctuations in private investment, we should be able to clear up the last vestiges of all but transitional unemployment. This would, moreover, operate to stabilize building, at present the most unsteady of industries.

The chief administrative difficulty in implementing the proposals lies in the necessity for discrimination by the FRC to prevent the acquisition of finished goods in proportions greatly at variance with past or prospective demand, that is to say, in the necessity for shifting the **emphasis** of the FRC's purchases. The difficulty is, however, not so great as, at first blush, it might seem to be. No manufacturer would have any strong interest in the continued production of goods on which he was making no profit and which he could not, in any event, sell in the private market until large inventories had been cleared off, or without the consent of the FRC. He would therefore be disposed to cooperate with the FRC in an orderly reduction of his output. This would be effected concurrently with an increase in the production of goods of which the FRC was acquiring relatively small stocks or none at all. The whole mechanism would, indeed, operate to effect adjustments, of relative supply to evolving demand, in an orderly rather than in chaotic fashion, and without any stoppage in general employment. It would moreover give to the entrepreneurial world a sure indication of opportunity in specific lines, or the lack of it, rather than the very inadequate and problematical "information" that any enterpriser now possesses.

So far as unemployment is merely a cyclical phenomenon, the use of the reservoir of goods would reduce ebbs and flows to negligible proportions. Fluctuations in private demand, the reflection of shifts in the preference for liquidity, would be compensated by the intake and outflow of the reservoir. This would have the effect not only of relieving the depression phase of the cycle but, by the release of goods, would prevent the inflation and misplaced investment now more or less characteristic of booms.

So far, however, as unemployment is a chronic rather than a cyclical phenomenon (arising from a tendency of monetary savings to outpace private investment in goods) the goods in the reservoir would steadily accumulate. If ever the accumulation should reach an amount which seemed adequate to meet any probable drain the remedy would be to remit taxes (especially on the lower incomes) and meet governmetal expenditures with new issues of money without corresponding production. Any excessive accumulation in the reservoir would then disappear. That part of the population which desired to hold money in the form of uncashed claims on goods would then have its desires satisfied, without any stoppage of production, while the larger part, which is eager for goods, would get the goods.

A final word should be said on the advantages of the present proposal over expenditures on public works as a means of overcoming cyclical or chronic depression. Both, indeed, are forms of public saving in goods (and it is only in goods that **social** savings can be made) whenever the people want to save in money, and both would prevent the people's savings from running to utter waste. But investment in goods of private use would:

(1) Obviate the necessity of widescale transfer of workers from one occupation, and residence, to another, with a probable re-transfer at a later date;

(2) Provide a means of eliminating inflation, and of avoiding the taxation or growth of interest-bearing Government debt associated with public works (according as the public works are financed with new money, which could not readily be withdrawn when the preference for liquidity diminished, or are paid for out of the transfer of idle funds to Government);

(3) Reduce private bankruptcies to a mere functional level;

(4) Provoke little opposition;

(5) Act immediately in time and directly to the desired end;

(6) Leave intact the freedom of choice in the disposition of income; and

(7) Keep private enterprise unimpaired.

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*The building of many warehouses, for purposes described below, would be desirable.

1 Britain, e.g., has had no financial panic in half a century.

2 Central bank notes are rendered inevitably liquid by making them legal tender. Central bank deposits are equally liquid since they can always be exchanged for notes.

3 The term "representative bale" is used to connote a composite unit of various goods in fixed physical quantities corresponding to their relative importance in the economy. The price set for a "representative bale" should be somewhat below the cost of the goods, in private markets, at the inception of the procedure. This price, like the price of gold, would, thereafter, be unchanged. The prices of individual commodities would vary, however, in response to general conditions of supply and demand. The original proposal, of this character, was made by Benjamin Graham and is elaborated in his book, "Storage and Stability": McGraw-Hill, 1937.

4 A small spread between the purchase and sale price might be established, as with gold, to defray storage costs.

5 Payment for the goods could be made in special Federal Reserve credits precisely like other Federal Reserve deposits except that they would not carry the privilege of serving as a basis for **multiple** expansion by member banks. The credits should be at zero, or merely nominal, rates of interest. Redemption, as distinct from transfer, of such credits, should be in Federal Reserve **Bank** notes, which should also be denied the privilege of serving, after redeposit with the Federal Reserve Banks, as a basis for multiple extension of credit.

Calendar Of New Security Flotations

OFFERINGS

HOWARD STORES CORPORATION filed a registration statement for 27,736 shares 5¼% cumulative preferred stock, par value $100, and 50,000 shares common stock, par $1. The shares registered are issued and outstanding and do not represent new financing by the company.

Underwriting—Underwriters are A. G. Becker & Co., Inc., Chicago; Merrill Lynch, Pierce, Fenner & Beane, New York; H. M. Byllesby & Co., Inc., Chicago; Central Republic Co., Inc., Chicago; Graham, Parsons & Co., Phila.; Hallgarten & Co., New York; Shields & Co., New York; Stroud & Co., Inc., Phila.; A. E. Masten & Co., Pittsburgh; Milwaukee Company, Milwaukee; Moore, Leonard & Lynch, Pittsburgh; William R. Staats Co., Los Angeles; Stein Bros. & Boyce, Baltimore; Edward D. Jones & Co., St. Louis; Singer, Deane & Scribner, Pittsburgh; Frank B. Cahn & Co., Baltimore, and Newhard, Cook & Co., St. Louis. Filed June 9, 1944. Details in "Chronicle," June 15. 1944.

Offered July 12 1944, the preferred stock at $101 per share and the common stock at $13.50 per share.

LERNER STORES CORP. has filed a registration statement for 35,000 shares of common stock (no par). The shares are issued and outstanding and do not represent new financing. Of the shares registered 30,000 shares are being sold to the underwriters by Joseph J. Lerner, president, and 5,000 shares by Associated Lerner Shops of America, Inc., a wholly-owned subsidiary. Merrill Lynch, Pierce, Fenner & Beane head the group of underwriters. Filed June 21, 1944. Details in "Chronicle," June 29, 1944.

Offered July 11 at $42.50 per share.

PANHANDLE EASTERN PIPE LINE CO. has filed a registration statement for 531,-638 shares of common stock, without par value. The shares registered are issued and outstanding and are owned by Missouri-Kansas Pipe Line Co. Holders of common stock and class B stock of Mokan of record July 12 are given the right to purchase, pro rata, 163,710 shares of common stock of Panhandle, at $30 per share, on basis of one share of common stock of Panhandle for each 10 shares of common or 200 shares of class B capital stock of Mokan. Such purchase offer will expire on Aug. 21, 1944.

Net proceeds will be used to pay off $5,050,000 indebtedness to banks and insurance companies. After payment by Mokan of the indebtedness, it will offer to each holder of its common stock or class B stock according to a plan adopted by the stockholders on March 27, 1944, the right and privilege of exchanging all or any part of his holdings of such stock for full shares of the common stock of Panhandle, on the basis of two shares of Panhandle for nine shares of Mokan common or 180 shares of class B capital stock of Mokan, or any combination of common and class B capital stock of Mokan equivalent thereto. The exchange offer will expire April 15, 1945. Filed May 31, 1944. Details in "Chronicle," June 8, 1944.

QUAKER OATS CO. has filed a registration statement for $10,000,000 20-year 2⅝% debentures due July 1, 1964. Net proceeds from the sale of the debentures together with $5,000,000 to be received from the sale of serial notes will be added to working capital and used as future developments of the business may require. Underwriters are Harriman Ripley & Co., Inc. and associates.

Filed June 20, 1944. Details in "Chronicle," June 29, 1944.

Offered July 10, 1944 at 99¾ and int.

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

TUESDAY, JULY 18

BROOKLYN UNION GAS CO. has filed a registration statement for $12,000,000 25-year sinking fund debentures due Aug. 1, 1969. Company plans to refinance its entire outstanding debt by the issuance and sale to the public of $12,000,000 debentures and the concurrent issuance and private sale of $30,000,000 general mortgage sinking fund bonds, 3¾% series, due Aug. 1, 1969. The net proceeds of the sale of the new securities will be applied together with approximately $6,000,000 from the general funds of the company to the following purposes: payment at maturity May 1, 1945, of $14,000,000 first consolidated mortgage 5% bonds; to pay at maturity $6,000,000 first lien and refunding mortgage bonds series A, 6%, due May 1, 1947; $10,000,000 to redemption on Nov. 1, 1944, of $10,000,-000 first lien and refunding mortgage bonds, series B, 5%, due May 1, 1957, and $18,000,000 to redemption on Sept. 9, 1944, of 20-year 5% debentures. The last two redemptions involve the payment of $300,-000 and $360,000 in premiums, plus interest, respectively. F. S. Moseley & Co., Boston, is named principal underwriter. Filed June 29, 1944. Details in "Chronicle," July 13, 1944.

ROTARY ELECTRIC STEEL CO., DEL., has filed a registration statement for 150,-000 shares of common stock (par $10). The shares have been issued and are being offered by the underwriters. Company was incorporated in Delaware June 23, 1944, to acquire the business, physical assets and inventories and properties of the Rotary Electric Steel Co. (Calif.). On July 1, 1944, company purchased from the California corporation, all the physical properties of the latter for $650,000, plus inventories priced at cost or market whichever was lower. Pending a physical check, the value of the inventories was taken at $1,800,000. Contemporaneously or just prior to this transaction the company sold to the underwriters 150,000 shares of common stock at $11.375 a share, and sold to the New York Trust Co. $800,000 3% five year notes, and sold to Mutual Life Insurance Co., New York, $500,000 4% first mortgage bonds due 1956. The proceeds from the sale of these securities were used to purchase the California company and to provide initial working capital requirements. The common stock being offered is that purchased by the underwriters from the company on July 1, 1944, the net proceeds from the sale at that time were received by the company. Underwriters are W. E. Hutton & Co., 80.000 shares; Hemphill, Noyes & Co. and E. H. Rollins & Sons, Inc., 30,000 shares each, and Stein Bros. & Boyce, 10,000 shares. Filed June 29, 1944. Details in "Chronicle," July 6, 1944.

WEDNESDAY, JULY 19

JOHNSON & JOHNSON have filed a registration statement for 36,218 shares of cumulative second preferred stock, series A 4% (par $100) and 77,252 shares of common stock (par $12.50). The preferred stock registered is issued and outstanding and includes 1.138 shares held by the company in its treasury, 19,587 shares held by Robert W. Johnson and 15,492 shares held by J. Seward Johnson. Of the 77,252 shares of common 21,252 shares are held by the company's treasury, and 28,000 shares each held by Robert W. Johnson and J. Seward Johnson. Proceeds to the company will be used for general corporate purposes. The underwriters of the preferred stock are Morgan Stanley & Co., Dominick & Dominick, Clark, Dodge & Co., Hemphill, Noyes & Co., Merrill Lynch, Pierce, Fenner & Beane and Smith, Barney & Co. The offering of common stock is not being underwritten. Applications for purchase of common stock may be made to Robert W. Johnson, J. Seward Johnson and the company in care of J. P. Morgan & Co. Incorporated. Filed June 30, 1944. Details in "Chronicle," July 6, 1944.

JACKSONVILLE GAS CORPORATION has filed a registration statement for $1-745,000 first mortgage bonds, 4% series due June 1, 1969. Net proceeds will be applied to the redemption, at 100, of outstanding $1,745,000 first mortgage bonds, 5% series due 1967. Central Republic Co., Chicago is named principal underwriter. Fild June 30, 1944. Details in "Chronicle," July 6, 1944.

NATIONAL AUTOMOTIVE FIBRES, INC., has filed a registration statement for 86,-310 shares of common stock (par $1).

Address—19925 Hoover Avenue, Detroit, Mich.

Business—Textile specialty business.

Offering—Offering price to the public is to be filed by amendment, but is to yield the company a net price of not less than $10 per share.

Proceeds—To be used to increase company's working capital for war purposes, and to place it in a position to carry additional inventories and additional notes and accounts receivable for anticipated post-war business, particularly in the automotive field.

Underwriting—Reynolds & Co., New York, is principal underwriter.

Registration Statement No. 2-5422. Form S-1. (6-30-44).

THURSDAY, JULY 20

MARATHON CORPORATION, successor to Marathon Paper Mills Co. by change of name July 6, 1944, has filed a registration statement for 50,000 shares of 5% cumulative preferred stock (par $100). The proceeds from the sale of the preferred stock, together with the proceeds to be received from the sale by the corporation, prior to Oct. 1, 1944, of $5,000,000 debentures, will be used principally to finance, through advances to the corporation's wholly-owned Canadian subsidiary, the erection of a bleached sulphate pulp mill at Peninsula, Ontario, Canada. The balance of the proceeds will be used to provide additional conversion facilities of the corporation's United States plants and to augment working capital. Underwriters with number of shares underwritten are as follows: Lee Higginson Corp., 10,000; Smith, Barney & Co., and the Wisconsin Company, 5,000 each; Blyth & Co., Inc., 3,000; Merrill Lynch, Pierce, Fenner & Beane, 2,500; Milwaukee Company, Eastman, Dillon & Co., Paine, Webber, Jackson & Curtis and F. S. Moseley & Co., 2,000 each; Clair S. Hall & Co., 1,750; Dean Witter & Co., A. C. Allyn & Co., Inc., Central Republic Co., Inc., and Harris, Hall & Co., Inc., 1,500 each; Reynolds & Co., Wertheim & Co., Bacon, Whipple & Co. and Loewi & Co., 1,000 each; Piper, Jaffray & Hopwood, Whiting, Weeks & Stubbs, Inc., Kebbon, McCormick & Co., Perrin, West & Winslow, Inc., and Tucker, Anthony & Co., 750 each; Farwell, Chapman & Co., and Scherck, Richter Co., 500 each. Filed July 1, 1944. Details in "Chronicle," July 6, 1944.

EMPIRE DISTRICT ELECTRIC CO. has filed a registration statement for $10,600,-000 first mortgage bonds, 3½% series due 1969, and 350.000 shares of common stock (par $10). The shares of stock are issued and outstanding and are being offered for the account of Cities Service Power & Light Co. The net proceeds to be received by Empire District from the sale of the bonds, together with the net proceeds from the sale of 6,500 shares of 5% cumulative preferred stock, par $100, which the company expects to sell contemporaneously with the issue and sale of the bonds are to be applied to the redemption at 101¾ of $10,044,900 first mortgage and refunding bonds, 5% series, due March 1, 1952, and to the redemption at 105 of $851,200 of Ozark Power & Light Co. first mortgage sinking fund 5% bonds due March 1, 1952, assumed by Empire. Empire District Electric Co. which is controlled by Cities Service Power & Light Co. proposes to acquire by merger the properties of Ozark Utilities Co., Lawrence County Water, Light & Cold Storage Co. and Benton County Utilities Corp. In conjunction with this merger Cities Service Power & Light Co. is surrendering all the securities of the constituent companies owned by it in exchange for an aggregate of 350,000 shares of common stock, $10 par, of the Empire District Electric Co. Both the bonds and stock will be offered for competitive bidding under the Commission's competitive bidding rule U-50. Names of the underwriters will be filed by amendment. Filed July 1, 1944, Details in "Chronicle," July 6, 1944.

WEDNESDAY, JULY 26

MONTANA - DAKOTA UTILITIES CO. filed a registration statement for 20,894 shares of 5% series preferred stock, cumulative (par $100).

Address—831 Second Avenue South, Minneapolis, Minn.

Business—Public utility operating company.

Proceeds—The entire proceeds from the sale of the preferred stock will be used to redeem the company's outstanding $1,950,-000 of 3½% serial notes, due serially at the rate of $390,000 on March 15 in each of the years 1946 to 1950 inclusive, and, together with general funds of the company, to redeem outstanding $390,000 of 2½% serial notes due March 15, 1945.

Underwriting—The underwriting group is headed by Blyth & Co., Inc., and Merrill Lynch, Pierce, Fenner & Beane of New York. Other names will be filed by amendment.

Offering—Price to the public will be supplied by amendment.

Registration Statement No. 2-5423. Form S-1. (7-7-44).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN MACHINE & METALS, INC. filed a registration statement for $2,000,-000 4½% 15-year sinking fund debs., due June, 1959, and 68,450 shares of capital stock, without par value. The 68,450 shares of capital stock are to be offered for subscription to the holders of capital stock at the rate of one share for each four shares held. The subscription price as well as the record date and time when subscription warrants will be filed by amendment. The public offering price of the debentures will be filed by amendment.

The net proceeds from the sale of the debentures and stock will be applied, together with additional funds from the company's treasury, to repay a $3,000,000 temporary bank loan which was incurred in the purchase last March of control of the United States Gauge Co. Hornblower & Weeks are principal underwriters. Filed May 31, 1944. Details in "Chronicle," June 8, 1944.

ARDEN FARMS CO. has registered 35,-714 shares of $3 cumulative and participating preferred stock, without par value. Company has offered to holders of its preferred stock rights to subscribe for shares of the new preferred at the rate of one share for each 2½ shares held. Company proposes to sell to the public any shares not subscribed at a price to be named by amendment. Net proceeds will be used to improve the cash and working capital positions of the company and to the acquisition of additional plants. No underwriters named. Filed June 21, 1944. Details in "Chronicle," June 29, 1944.

BEN-HUR PRODUCTS, INC.—$300,000 5% convertible debentures, series of 1943, due Feb. 1, 1951 and 11,400 prior preferred shares (for purpose of conversion). Proceeds to retire bank loans and working capital. Pacific Co. of Calif. and Wyeth & Co. named underwriters. Filed Dec. 20, 1943. Details in "Chronicle," March 9, 1944.

EQUIPMENT FINANCE CORP. filed a registration statement for 14,000 shares 4% non-cumulative series 2 preferred, par $100. Price to the public $100 per share. Proceeds for acquisition of factory and warehouse buildings and additional trucks. Filed May 19, 1944. Details in "Chronicle," May 25.

EXCESS INSURANCE CO. OF AMERICA has filed a registration statement for 48,-981 shares of capital stock (par $5). Shares are to be offered for subscription to present stockholders of record May 31, 1944, on a pro rata basis at $8 per share. Net proceeds will be added to company's capital and surplus funds. Unsubscribed shares will be sold to Lumbermens Mutual Casualty Co. for investment. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

FLEMING COMPANY, INC., has filed a registration statement for 2,500 shares of preferred stock, 5% cumulative ($100 par). Price to public $103 per share. Proceeds will be used to increase working capital through the reduction of bank loans. Beecroft, Cole & Co., Columbian Securities Corp. and Seltsam & Co., Inc., are underwriters. Filed June 3, 1944. Details in "Chronicle," June 8, 1944.

GENERAL PRINTING INK CORP. has registered 35,000 shares of $4.50 preferred stock, series A, cumulative (no par). Company is offering to holders of the 33,926 shares of outstanding $6 cumulative preferred stock the privilege of exchanging their shares on a share for share basis for the new $4.50 preferred stock plus an amount in cash per share equal to the excess of the redemption price per share of the $6 preferred stock, $105 plus accrued dividends from July 1, 1944, to the redemption date, over the initial public offering price of the $4.50 preferred stock. Cash proceeds from sale of any unexchanged shares, with treasury cash, will be used to redeem, at $105 per share plus accrued dividends, all unexchanged shares of the $6 preferred stock, and to the payment of the cash adjustment payable to holders of the $6 preferred stock making the exchange. Shields & Co., New York, is named principal underwriter, with names of others to be supplied by amendment.

Offering price to public of stock not issued in exchange will be filed by amendment. Filed June 17, 1944. Details in "Chronicle," June 29, 1944.

GERMANTOWN FIRE INSURANCE CO. has filed a registration statement for 50,-000 shares of common stock, $20 par, and voting trust certificates for said stock. Policyholders of Mutual Fire Insurance of Germantown are to have pre-emptive rights to subscribe for the common stock at $20 per share in proportion to the respective premiums paid by them upon insurance policies issued by Mutual. Voting trust certificates representing shares not subscribed will be offered to the general public at the same price. All stockholders will be asked to deposit shares in the voting trust for a period of 10 years. Bioren & Co. are underwriters. Filed May 29, 1944. Details in "Chronicle," June 8, 1944.

HAWAIIAN ELECTRIC CO., LTD., filed a registration statement for $5,000,000 first mortgage bonds, series D, 3½%, due Feb. 1, 1964. Proceeds will be used to pay company's $3,500,000 3% collateral promissory notes due June 1, 1948; to pay for additions, improvements and betterments of plant and properties to be made prior to the close of 1945. Dillon, Read & Co. New York, and Dean Witter & Co., San Francisco, underwriters. Filed May 23 1944. Details in "Chronicle," June 8. 1944.

HAYES MANUFACTURING CO. has registered 100,000 shares of common stock $2 par value. Net proceeds will be received by Porter Associates, Inc. The moneys paid to the corporation by Porter Associates, Inc., on account of the purchase of said shares will, in the estimated amount of $187,500, reimburse the corporation in part for the $200,000 expended by it in purchasing such shares. Porter Associates, Inc., underwriters. Details in "Chronicle," May 31. Filed May 25.

IDAHO POWER CO. has filed a registration statement for 60,587 shares of 4% preferred stock, $100 par value. Underwriters are Blyth & Co., Inc., and Lazard Freres & Co., New York, 45% each, and Wegener & Daly, Inc., Boise, 10%. Company will offer to holders of its 32,130 shares of 7% and 28,457 shares of $6 preferred stock the opportunity to exchange their shares for new 4% preferred stock on a share for share basis together with $8 in cash and accrued dividends to Aug. 1, 1944. The exchange offer will be open from about July 1 to July 22. The new preferred stock will be cumulative from Aug. 1, 1944. Any shares of the 7% and $6 preferred stock not deposited for exchange will be redeemed on Aug. 1, 1944 at $110 per share plus accrued dividends to that date. The underwriters have agreed to purchase any of the 4% preferred shares not issued pursuant to the exchange offer. The price to the public will be $102 per share. Filed June 13 1944. Details in "Chronicle," June 22, 1944.

MIDLAND COOPERATIVE WHOLESALE has filed a registration statement for $250,000 subordinated debenture notes bearing interest at rate of 4% per annum and maturing in five and ten years from date of issue. Notes are to be sold at their face value, only to members of the issuing corporation and individual members of its corporate stockholders. Proceeds will be used to increase working capital and reduce bank loans. Filed June 12, 1944. Details in "Chronicle." June 22. 1944.

MISSISSIPPI VALLEY PUBLIC SERVICE CO. has registered 15,000 shares of 5% cumulative preferred stock ($100 par). Company is offering to holders of its outstanding 7% cumulative preferred stock series A, and 6% cumulative preferred stock, series B, the privilege of exchanging their old stock for new preferred on a share for share basis, with a cash adjustment amounting to $7.83⅓ a share on the 7% stock and $2.66⅔ a share on the 6% preferred. The exchange offer will expire at noon on May 20. Underwriters are Milwaukee Co., 5,750 shares; Wisconsin Co., 4,750; Morris F. Fox & Co., 1,500 Loewi & Co., 1,500; Bingham, Sheldon & Co., 1,000 all of Milwaukee, and A. C. Tarras & Co., Winona, Minn., 500. Filed April 25, 1944. Details in "Chronicle," May 4.

MORRISON-KNUDSEN CO., INC., has filed a registration statement for $200,000 series K 5% preferred stock and $300,000 series L 6% preferred stock, both $100 par value. Serurities will be offered by Morrison-Knudsen Co., Inc., at par. Any part of the issue not sold by company officials will be sold through Wegener & Daly. Inc., Boise, Idaho, as underwriters. Company in an amendment filed June 10 proposes to offer $100,000 4% series F demand certificates and $100,000 4% series Y certificates at $100. Proceeds for working capital. Details in "Chronicle," May 31. Filed May 23.

NEW ORLEANS PUBLIC SERVICE INC. has filed a registration statement for $34,-500,000 first mortgage bonds series due 1974 and 77,798 shares of preferred stock, par $100. The interest rate on the bonds and dividend rate on the stock will be filed by amendment. The bonds and stock are to be offered for sale pursuant to the Commission's competitive bidding Rule U-50.

Net proceeds together with such additional cash from company's treasury as may be required will be used to redeem following securities: 77,798 shares of $7 preferred stock; $11,849,500 first and refunding mortgage gold bonds, series A, 5% due Oct. 1, 1952; $17,856,000 first and refunding mortgage gold bonds, series B, 5% due June 1, 1955; $4,625,380 6% mortgage gold income bonds, series A and series B, due Nov. 1, 1949; $392,000 Canal & Claiborne Railroad Co., 6% gold mortgage bonds due May 1, 1946, and $283,000 Saint Charles Street Railway Co. first mortgage 4% gold bonds due Jan. 1, 1952. The total required, exclusive of accrued interest and dividends, is $44,039,275. Filed June 22, 1944. Details in "Chronicle," June 29, 1944.

NORTHERN INDIANA PUBLIC SERVICE CO. has filed a registration statement for 220,078 shares of 5% cumulative preferred stock, par $100 per share. Company plans to issue the 220,078 shares of 5% preferred stock to effect the retirement by exchange or redemption of an equal number of shares of its 7%, 6% and 5½% preferred stock, the exchange to be on a share for share basis plus a cash payment to be filed by amendment. Filed May 17, 1944. Details in "Chronicle," April 27, 1944.

Exemption from competitive bidding rule denied by SEC in opinion issued May 5, 1944. Company on May 12 filed an amendment with the SEC proposing invitation of competitive bidding on the stock under rule U-50. Offering data to be completed by post effective amendment.

Proposals for exchange and purchase of the 5% preferred stock were received by the company up to 10 a.m. CWT July 10. Only one bid, made by Stone & Webster and Blodgett, Inc. and associates, was received, which the company rejected. The price named by the bankers was 101.

PERFEX CORP. has filed a registration statement for 21,803 shares of common stock, $4 par value. The shares are being offered for subscription to holders of common stock at the rate of one new share for each five shares held. The offering is conditioned upon the underwriters purchasing shares not subscribed by stockholders and the company procuring loans aggregating $550,000. Proceeds will be used for additional working capital. The Wisconsin Co. is named principal underwriter. Filed June 22, 1944. Details in "Chronicle," July 6, 1944.

PUBLIC SERVICE CO. OF OKLA.—$1,-500,000 5% cumulative preferred stock (par $100) and $6,600,000 first mortgage bonds, series A 3⅛% due Feb. 1, 1971. Stock is for exchange of $6 preferred of Southwestern Light & Power Co. (subsidiary) on share for share basis. Bonds will be offered for sale at competitive bidding. Registration effective Jan. 10, 1944. Filed Dec. 21, 1943. Details in "Chronicle," March 16, 1944.

STERLING ENGINE CO. has filed a registration statement for 204,075 shares of common stock, of which 23,225 are being issued by the company through underwriters and 180,850 shares by three present stockholders. Offering price to public on 204.075 shares is $3.75 per share. An additional 100,000 shares is reserved against the exercise of warrants to purchase 100,-000 shares of common, at $4.50 per share, prior to three years from and after the effective date of registration statement. Warrants for 50,000 shares will be issued to Burr & Co., Inc., which will retain 25,000 thereof as manager of the underwriters and will distribute the remaining 25,000 among the underwriters and warrants for 50,000 shares will be issued to members of the management of the company. Proceeds for working capital. Burr & Co., New York are principal underwriters. Filed April 24, 1944. Details in "Chronicle," May, 4, 1944.

VERTIENTES-CAMAGUEY SUGAR CO. OF CUBA.—696,702 shares of common stock ($6.50 par), U. S. currency. Of shrs. registered, 443,850 are outstanding and owned by the National City Bank, N. Y. Several underwriters have agreed to purchase $1,663,500 of first mortgage (collateral) 5% convertible bonds of company, due Oct. 1, 1951, owned by National City Bank, N. Y. Underwriters propose to convert these bonds at or prior to closing and the 252,852 shares of common stock which are received by the underwriters on such conversion, together with the 443,850 shrs. previously mentioned, will make up the total stock to be offered. Harriman Ripley & Co., Inc., N. Y., principal underwriter. Filed Mar 29, 1944. Details in "Chronicle," April 6, 1944.

ICC Rail Comment

Vilas & Hickey, 49 Wall Street, New York City, members of the New York Stock Exchange, have prepared an interesting summary of ICC rail comment giving figures for the first five months of 1944. Copies of this summary are available to dealers on request from Vilas & Hickey.

Interesting Situations

International Paper Co. and Amerex Holding Co. offer interesting situations, according to detailed memoranda issued by Amott, Baker & Co., Inc., 150 Broadway, New York City. Copies of these memoranda discussing present possibilities and post-war outlook may be had from the firm upon request.

"Our Reporter On Governments"

By JOHN T. CHIPPENDALE, JR.

Following a period of comparative inactivity during the greater part of the Fifth War Loan, the government bond market in the past week has been quite active with prices improving, particularly in the long term tax-exempts, due primarily to purchases by the commercial banks. . . . The partially tax-exempt obligations, which had been quite heavily liquidated in previous war loan drives, were offered again in the market, but this time in considerably smaller amounts, due to the decreasing supply and the need of present holders for tax protection. . . . However, it was reported that just prior to the ending of the Fifth War Loan Drive a large block of partially tax-exempt securities were liquidated by insurance companies and other investors to provide funds for the purchase of a like amount of the 2% bonds due 1952/1954. . . .

Portfolio Changes

It is indicated that a number of commercial banks outside the New York area have been making changes in their government holdings, resulting in a minor lengthening of maturities in order to increase income. . . . It is stated that these institutions have completed very comprehensive surveys of their deposit situation, and the probable effect the ending of the war will have on deposits and the business and industry in their localities. . . . Based on such studies these banks have decided that they are well entrenched for any changes that may take place in deposits through their holdings of short term government securities, and in order to make more effective use of their funds are going into somewhat longer maturities. . . . An example of this was the sale recently by one of these institutions of the 1¾% bonds due June 15, 1948 at about 101 8/32 and the purchase of the 2% bonds due Sept. 15, 1951/1953 at approximately 100 16/32. . . .

Now that the Fifth War Loan has been successfully concluded without offering securities to the commercial banks, the question is being raised, when will offerings of new government securities be made to these institutions? . . . Likewise, when can the Sixth War Loan Drive be expected to get under way. . . . An early ending of the war would be the best answer, but since that cannot be forecast, financial circles are looking at conditions as they may be aside from the purely military aspects of the situation. . . . The next fiscal period should see some further contraction in government spending barring unforeseen war developments since military expenditures appear to have passed the peak. . . .

Deferred Payments

Despite conversion problems tax payments should remain high so that the government deficit financing should not be as large as in the past. . . . The Treasury recently announced that insurance companies and saving institutions could anticipate future income and subscribe to additional amounts of government obligations offered in the Fifth War Loan Drive before the close of the drive (July 8 1944), but payment for them need not be made before Sept. 30, 1944. . . .

The use of deferred payments for securities is not a new development by the Treasury, since it was used in the Third War Loan, although at that time it was limited to insurance companies, and the payment date was extended for a shorter period after the ending of the drive. . . . This method should enable the government to receive considerable sums from these institutions which would be in addition to funds already obtained in the recently completed drive. . . . This would seem to indicate no further need of government offerings to the banks during the period ending Sept. 30. . . .

Certificates of Indebtedness due Aug. 1 and Sept. 1 will no doubt be "rolled over" as will the maturing bills. . . . The amount of Treasury notes due Sept. 15 is not large and the Treasury may decide to pay them off instead of refunding them. . . . If funds should be needed due to the payment of the maturing notes, the weekly offering of Treasury bills could be increased by $200,000,000 starting the early part of October. . . . The Oct. 1 maturity of Certificates of Indebtedness can be readily refunded, but in the event the Treasury feels it has needs for additional funds, the refunding of this issue could be a medium to provide some new money for the government. . . .

Future Borrowing

However, unless some unforeseen developments take place new financing by the Treasury is not expected until late fall, since the funds obtained in the recent War Loan drive, together with the anticipated income purchases of government bonds by insurance companies and saving institutions, as well as other revenues of the government, should be sufficient to carry them along for several months. . . .

Likewise, 1944 is an election year and the Treasury no doubt will avoid financing if possible until after the election, and apparently with sufficient funds to carry them along, the government is not expected to be in the money market again on a large scale until sometime in late November or early December when the Sixth War Loan Drive may begin. . . .

As for the commercial banks, very little in the way of new issues of government obligations is in the immediate offing for them and the most that would appear to be available to them would be limited new offerings of Treasury bills and Certificates of Indebtedness which would not result in any substantial increase in deposits. . . . Limiting of the commercial banks' participation in War Loan drives and in the recent financing of the war is a favorable development since it has effectively retarded the deposit growth with its inflationary implications. . . .

Trading Action

Trading started this week in the 2% bonds due June 15, 1952/1954 and they were recently quoted 100.9/32 bid, offered at 100.10/32 indicating a premium above the offering price of 9/32. . . . This premium was somewhat more than had been anticipated and is probably due in part to the fact that the dealers, who had subscribed to these bonds during the drive, were not in a position immediately to use their bonds to meet the needs of the commercial banks while individuals with bonds, were supplying the demand only at advancing prices. . . . The heavy demand for the new 2% bonds, as well as the remote prospects of any new issues being offered to the commercial banks for some time to come, may mean that the entire government bond market may seek higher levels. . . .

The 1¼ notes due Mar. 15, 1947, proved to be popular with investors desiring a high degree of liquidity with a return somewhat better than that available in the certificates. . . . They were recently quoted 100.8/32 bid, offered at 100.9/32. . . . Because of the shortage of 1947 maturities, the commercial banks have been active buyers of these securities.

Post-War Expenditures And Taxes

A veteran Washington observer estimates that our minimum national post-war budgets will approximate $20 billion annually and breaks up his estimate under the following headings:

	Billion
Ordinary government expenditures, incl. interest on the Federal debt	$6½
All military expenses	5½
Aid and payments to veterans	3
Aids to agriculture	1½
Public works and relief	1½
All other items, incl. Social Security & foreign relief	2

With these figures as a base he surveys potential national income and the likelihood of tax reductions. At a national income level of $110 billion he comes to the conclusion that the budget can be balanced *and* the tax on corporate excess profits eliminated. Procedure along this line, however, will leave no margin for any reduction of the national debt.

At a national income level of $120 billion a substantial margin would be left over and above a balance of the budget, a margin which would permit not only the elimination of excess profits taxes but reduction of excise taxes and individual normal taxes as well. Here again, however, reductions or eliminations along these lines would leave nothing for debt reduction.

We cannot say that we found the figures too encouraging, for certainly if they are accurate they indicate that it is going to be a long, long while before we can have both tax reduction and debt reduction. And this undoubtedly is going to shape up as one of our many huge post-war problems—do we reduce taxes as promptly and as substantially as possible, leaving the debt at high levels, or do we keep taxes at their approximate present levels and try to bring down Federal debt?

This is not a too tempting question to think about in these hot and torrid days but it is a problem that is going to be with us for so many decades to come and none of us can afford to be casual about it. It is a problem for each and every American to wrestle with—we cannot "let George do it."—*Ralph E. Samuel & Co.*

Interesting Rail

Raymond & Co., 148 State Street, Boston, Mass., have issued a special analytical letter of Baltimore & Ohio 4½s of 1960. Copies of this interesting letter on the situation may be had from Raymond & Co. upon request.

INDEX

Veron With Dunne As Real Estate Manager

N. Edward Veron is now associated with Dunne & Co., 25 Broad Street, New York City, as manager of their real estate securities department, handling real estate bonds, title certificates, and whole mortgages.

Mr. Veron's experience in real estate matters dates from 1921. Eight years ago he entered the real estate securities field. Mr. Veron, who is also an attorney at law, specialized in real estate matters prior to that time.

He was recently with Central Group Investors, Inc., of New York City.

Interesting Situation

H. R. Baker & Co., Russ Bldg., San Francisco, Calif., have available an interesting report on Northrop Aircraft. Copies of this report may be had from the firm upon request.

Attractive Situation

Panama Coco-Cola offers an interesting situation according to circular being distributed by Hoit, Rose & Troster, 74 Trinity Place, New York City. Copies of this circular may be had from the firm upon request.

Final Edition ESTABLISHED OVER 100 YEARS In 2 Sections—Section 2

The Commercial and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

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The Financial Situation

While the delegates at Bretton Woods argue about the size of "quotas," the currencies or other media with which these quotas may be paid, the degree of concentration of control of a "fund" not yet in existence, the exchange rates which are to be chosen as official, and more of the same sort, the more thoughtful among the American people, and we presume elsewhere, are becoming more and more troubled about much more fundamental matters. To be sure, it is not a matter of indifference what the size of a "quota" may be—the less so if that quota can be paid up in currencies of doubtful value (to say the least) and the degree of control of the fund is to be fixed in ratio to the quotas finally agreed upon. Certainly it is a matter of great difficulty as well as of much importance to select exchange rates wisely at the start of any such venture—if such a venture must be undertaken.

Fundamentals Neglected

Perhaps it is not the function of this particular group to study the fundamental concepts upon which all such plans as this rest, and to reach conclusions as to whether it would not be wise after all to give the whole project up and go

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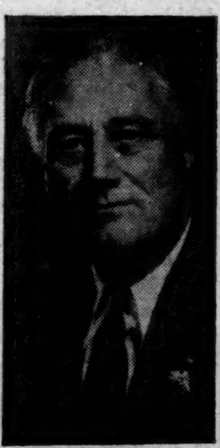
Roosevelt Announces Intention To Accept 4th Term Nomination

Decision Held Based On Advices That Majority Of Delegates To Forthcoming Democratic Convention Are Pledged To His Renomination As Party's Choice—President Avers Personal Desire Is To Return To Civil Life, But Says He Is Willing To Continue In Office If People So Desire—Remains Silent On Question Of Status Of Vice-President Wallace As Running Mate

The willingness of President Roosevelt to accept the nomination for a fourth term was definitely indicated in a letter addressed by him to Robert E. Hannegan, Chairman of the Democratic National Committee, made public at Washington on July 11. Up to this time the President had declined to commit himself on the question, which had repeatedly been brought up by reporters at his press conferences.



President Roosevelt

The Democratic National Convention will open in less than a week (July 19) at Chicago, and Mr. Roosevelt it is stated will be renominated at the Thursday evening (July 20) session.

The President gave no inkling as to whether he expected that Vice-President Henry A. Wallace would be renominated with him. On this point special advices to the New York "Times" from Washington July 7 said:

"While the President is personally very strong for Mr. Wallace, it is believed that he has been persuaded by his political advisers not to make a fight for Mr. Wallace's renomination."

President Roosevelt's advices to Mr. Hannegan were in response to a communication from the latter under date of July 10, in which Mr. Hannegan said that based on State officials' "certifications to the National Committee, I desire to report to you that a clear majority of the delegates to the National Convention are legally bound to cast their ballots for your nomination as President of the United States." In his reply, the President stated that "if the convention should carry this out, and nominate me for the Presidency, I shall accept. If the people elect me, I will serve."

"I would accept and serve," the President said, "but I would not run, in the usual partisan, political sense. But if the people command me to continue in this office and in this war, I have as little right to withdraw as the soldier has to leave his post in the line." The following is the text of the President's letter to Chairman Hannegan:

Dear Mr. Hannegan:

You have written me that in accordance with the records a majority of the delegates have been directed to vote for my renomination for the office of President, and I feel that I owe to you, in candor, a simple statement of my position.

If the convention should carry this out, and nominate me for the Presidency, I shall accept. If the people elect me, I will serve.

Every one of our sons serving in this war has officers from whom he takes his orders. Such

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North Pacific And Eastern Asia Main Area Of Post-War Development Wallace Declares

China Should Be Industrialized, Says Vice President

The conviction that "a main area of new development after this war—new enterprise, new investment, new trade, new accomplishments—will be in the new world of the North Pacific and Eastern Asia," was expressed by Vice-President Henry A. Wallace on July 9, with his return to the United States from his visit to Soviet Asia and China. The above views of Mr. Wallace were contained in an address delivered by him at Seattle, Wash.; the Vice-President, who flew from China to Great Falls, Mont., arrived at Seattle on July 8. Mr. Wallace indicated that he "found the leaders in both Soviet Asia and China anxious for the most friendly relationship with the United States and expressing the utmost confidence in the leadership of President Roosevelt. Living standards can be raised. Causes of war can be removed," he said. "Failure to concern ourselves with problems of this sort after World War I is costing us today hundreds of billions of dollars and a terrible toll of human life." Mr. Wallace added that "to avoid a recurrence of the scourge of war, it is essential insofar as the Pacific basin is concerned, that relations among the four principal powers in the Pacific—China, the Soviet Union, the British Commonwealth and the United States—be cordial and collaborative."

Henry A. Wallace

"We hear much about industrial reconstruction in China," said the Vice-President, who went on to say:

"I found the Chinese anxious for industrialization. China should be industrialized, but any industrialization of China must be based upon agricultural reconstruction—agrarian reform—because China is predominantly a nation of farmers. They are good farmers, as I observed during my stay there, but they need a break—a New Deal."

He likewise stated that "the United States, together with Russia and Great Britain, has a profound interest in the rapid, peaceful change of Eastern Asia to the more fruitful use of her vast natural and human resources. Here is a great new frontier to which Seattle can furnish much in the way of leadership."

Vice-President Wallace arrived in Washington from Seattle on July 10, at which time he conferred with President Roosevelt. Aside from indicating that China was the subject of their talk, Mr. Wallace declined to make known to reporters any information bearing on the question as to his candidacy for Vice-President. A statement issued by Mr. Wallace with his return to Washington, as given in the New York "Times" by Charles Hurd, follows:

"I am happy to be home again. This is the first time I have liked Washington summer weather. I wish to see the President before talking with the press, but I would like to say now that I deeply appreciate the services of my companions on the trip. Mr. J. C. Vincent, Chief of the Chinese Division of the State Department, and Mr. Owen Lattimore, Chief of the Far Eastern Section of the Office of War Information, were invaluable while we were in China.

"Mr. John Hazard, Chief Liaison Officer, Division for Soviet Supply, Foreign Economic Administration, was just as useful while we were in Russia. The skillful

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GENERAL CONTENTS

Editorial

*These items appeared in our issue of Monday, July 10, on pages indicated.

From Washington Ahead Of The News

By CARLISLE BARGERON

The more a fellow contemplates the economic straitjacket in which this country finds itself, the more difficult it is to see how it will ever be unlocked, regardless of whether the Republicans are successful in November or not. There are too many adverse forces in motion and we are not referring to the political forces, either.

Sometime ago your correspondent called attention to the number of plants still in war production which had been certified by the Army and Navy as no longer necessary. It is a case of made work in time of manpower shortage. In these plants we pointed out that the CIO was the moving force in insisting that the plants be given further orders to keep them operating. Closer examination of the subject reveals that the CIO is not the only culprit. There are many instances in which the employer, knowing the influence of organized labor in Washington, connived with the labor leaders to set up a hullabaloo.

In addition to this, the local Chambers of Commerce, all around the country, are becoming insistent that the "industry" their community is now enjoying be continued forever. The determined effort to be made by the Pacific Coast to keep its present industries with something approximating their present employment scale is an example of what we have in mind, but the situation is not confined to that section at all. Every little hamlet which before the war didn't even have a sawmill but now has a wartime industry and a payroll is determined to keep it. Its leading citizens are prepared to descend upon Congress whenever the need be.

What really brought this whole subject up, however, is the ruckus now going on in the War Production Board and between the Board and the Military over reconversion plans. Aside from the broader issue involved it would seem to be an amazing thing that Donald Nelson, supposed to be head of the WPB, should issue certain orders and then while he is on his sickbed have some subordinate in the WPB overturn them. This is an example of what Governor Dewey has in mind when he refers to Washington's quarreling men.

There was no justification either for the Military's attack upon Nelson. He has not proposed any reconversion at the expense of the war effort. He has simply proposed that plans be set up so reconversion can take place in an orderly manner when the time for reconversion comes. This being the case the general public must wonder what all the shooting is about.

The Military is simply taking sides in the division within the WPB on the question of whether all reconverson should be held up until competing firms can all start off together. Nelson favors letting a particular industry get back to civilian production as

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So Far So Good, But . . . .

"There can be no amalgamation of true democracy with communism, socialism, Sovietism or governmental collectivism. Yet we find today in high Democratic places those who are attempting to integrate foreign philosophies into the Democratic party. I never expected to see the day when an official of the Democratic party would welcome Communists into our ranks."—Senator Harry F. Byrd.

Harry F. Byrd

"It would appear from the public utterances of Vice President Wallace that he has become a convert to doctrines and ideologies foreign to the faiths and traditions of Virginia.

"In view of the foregoing, it is therefore resolved by the Democratic party of Virginia, in convention assembled on the eighth day of July, 1944, that the delegates to the Democratic National Convention which will convene in the city of Chicago on the nineteenth day of July, 1944, be and they are instructed to oppose the nomination of Henry A. Wallace as Democratic candidate for Vice President."—Virginia Democrats' instructions to their delegates to the Chicago convention.

Good—so far as it goes.

But the Virginia Democrats, along with some of their neighbors equally disgusted, have it within their power to put an end to all this.

It would scarcely be an exaggeration to say that the New Deal has flourished because the "solid South" has been willing to be led by the nose.

The State Of Trade

Secretary Morgenthau, in a review the past week of Treasury receipts and expenditures for the fiscal year ended June 30, revealed through his figures on the financial condition of the Nation, that both receipts and expenditures had climbed during the 1943-44 period to unprecedented peaks. Outlay by the Treasury for war activities amounted to $87,039,000,000, while the RFC and its subsidiaries for the same purpose expended $2,682,000,000. The foregoing sums, plus interest on the war debt, were equal to more than 95% of total expenditures for the period.

Revenue collected amounted to $44,149,000,000. This was apart from Federal Old-Age and Survivor Insurance Funds, which almost doubled the 1943 receipts of $22,280,000,000. Budgetary disbursements soared to $93,744,000,000, exceeding those of the preceding period by $15,565,000,000. The Government's financial position on June 30, the close of the fiscal period, showed a deficit of $49,595,000,000 with the gross debt set at $201,003,387,221. Greater tax collections, however, had the effect of scaling down the net deficit, notwithstanding increased spending, by $6,302,000,000 under the previous fiscal year. In setting up the gross public debt the Secretary deducted unearned discount on savings bonds, in the amount of $8,205,956,665, and gave effect to $1,132,088,835 in outstanding debt obligations not subject to the statutory debt limitation.

The extent to which taxpayers contributed to the Nation's revenue may be gleaned from the Secretary's report, which shows that income taxes rose during the year from $18,561,000,000 to $26,262,000,000, of which $8,393,000,000 was withheld by employers under the new tax payment act.

It is interesting to note that despite the war, custom collections rose to $431,000,000, the highest since 1937. To meet the various needs of an accelerated war program, the Secretary reported, accounted for the increase of nearly $15,000,000,000 in war expenditures.

Outstanding public debt obligations actually total $208,077,259,051, and since Congress last month raised the debt limit to $260,000,000,000, the Treasury has on hand $51,923,000,000 of unused borrowing authorization. From the foregoing report of the Secretary of the Treasury, one can readily understand what the future holds in store for each one of us in our efforts to lift the huge burden of debt to which all of us have become heirs.

Late in the past week, President Roosevelt signed the "Stabilization Extension Act." The purpose of the act is to serve as a control over prices and thus guard the Nation against inflation. In affixing his signature to the bill, the President expressed concern over certain amendments, which he stated, would make it more difficult "to hold the line." The amendments in question were the enforcement features of the Act. In expressing his fear that the changes would weaken and obstruct the effective enforcement of the law, the President said, "I hope that experience may not justify my fear. But if it should turn out that the enforcing officers encounter serious difficulties in bringing chiselers and black market operators to book, I shall ask the Congress to remove the difficulties." The above comment was occasioned by the relaxation of penalties against non-wilful violators of the law. The President stated that it was not Congress' intention to protect "those who do not wish to know what the law requires of them."

The 5th War Loan was oversubscribed, the total sales reaching $16,650,000,000 exceeding the $16,000,000,000 goal by $650,000,000. The sales of Series "E" bonds, however, did not reach the high mark set for this type of savings bond, for which the individual subscriptions were only 71% of their allotted quota.

The drive for the sales of "E" bonds will be continued until Aug. 1 before the campaign is officially closed.

Gains have also been made in the new issues market as is shown in the compilation of corporate flotations for the first six months of this year which will be published in the Monday, July 17, issue of The Chronicle. The total was $986,000,000 consisting of $698,000,000 refunding issues and $288,000,000 new money issues. This compares with the same period in 1943 with $263,287,476 refunding issues and $150,476,205 new money issues. For the whole of 1943, such corporate issues amounted to $1,081,000,000 divided into $703,000,000 refundings and $378,000,000 new money securities.

The Bureau of Labor Statistics reports that the Nation lost 1,400,000 mandays of work in the month of May due to strikes which was almost three times as many as in April. There were 600 strikes in May and 435 in April.

The War Production Board announced on Tuesday that all four of the reconversion orders for which Donald M. Nelson, Chairman, had fought for despite the opposition of the Army and Navy leaders would go into effect at an early date. These orders will permit limited reconversion to civilian production this summer. A compromise culminated Tuesday when James F. Byrnes, Director of War Mobilization, ordered the WPB to go ahead with Donald M. Nelson's reconversion plans, putting an end to the dispute.

Summing up the results in business and industry for last week, the stock market advanced into new high ground attaining on Wednesday, July 5, the highest price averages since May 13, 1940. Transactions for last week totaled 7,844,060 shares on the New York Stock Exchange. Bonds generally were higher, with selected issues strongest and combined bond averages the highest on record; transactions for last week amounted to $40,584,200 on the Big Board.

On Monday of this week the stock market reached its highest point in four years but on the following day prices receded somewhat following President Roosevelt's announcement that he would run for a fourth term if nominated at the forthcoming Democratic convention at Chicago which of course is a foregone conclusion.

Substantial gains for last week were recorded in national electric kilowatt output and freight car loadings, steel production, bituminous and anthracite output and retail stores sales in the country at large. Slight declines were noted for paper-board production and locally the Consolidated Edison Co. reported a decrease for last week. In the department store field in the New York area the Federal Reserve Board reports a 16% increase for the week ending July 1 over a year ago against a 21% increase for the week over the preceding year and a 9% gain for the four weeks ending July 1 and an 8% gain for the Jan. 1 to July 1 period.

With respect to electric production, results reveal that output of electricity increased to approximately 4,327,359,000 kwh in the week ended July 3 from 4,325,417,000 kwh. in the preceding week, as reported by the Edison Electric Institute. The latest figures represent a gain of 5.3% over one year ago, when output reached 4,110,793,000 kwh.

Consolidated Edison Company of New York reports system output of 158,700,000 kilowatt hours in the week ended July 2, 1944, and compares with 189,300,000 kilowatt hours for the corresponding week of 1943, or a decrease of 16.2%.

Local distribution of electricity amounted to 158,000,000 kilowatt hours, compared with 180,400,000 kilowatt hours for the corresponding week of last year, a decrease of 12.4%.

Important factors that entered into steel production last week were a falling off in output caused by the manpower shortage, reduced order volume as a result of the Fourth of July holiday, a tendency for industrialists to lay greater stress on post-war planning and no apparent sign of a let-up in the number of outlaw strikes with which the industry is presently confronted, says the "Iron Age," in its current issue. The decline in the rate of output is of such deep concern to official Washington that the WPB saw fit to call a special meeting of steel executives, who are members of the Industry Advisory Committee to solve this drop in production, states the magazine.

One reason advanced for the contraction in volume of steel orders is that some consumers feel it unwise at this time to let inventories become unwieldy. Another consideration, the nature of which is quite plausible, is that should hostilities end suddenly in Europe, wholesale cancellations of contracts would in all probability follow. While leaders of the industry are not unduly optimistic over the early termination of the war, good business judgment dictates that they be prepared for such a contingency. With respect to the decline in steel output due to manpower shortages, the WPB estimated a loss of as much as 200,000 tons a month recently. The shut down of 31 open hearths caused by a lack of labor to run them and the greater time element in repairing furnaces, due to green labor, have contributed their share to the falling rate of output. The reduction in order volume, states Iron Age, "does not mean, however, that a flood of new orders may not be in the making for the latter part of this week. Deliveries have become so extended on some items that many consumers have shown a reluctance to place orders when promises on delivery are so far ahead."

The magazine further states "that backlogs have not suffered much of a decline because concurrently for the past few weeks the raw steel output rate has dropped to such an extent that the decline in orders has lost its significance." Insofar as post-war planning is concerned, the paper reports a recent spurt in post-war ideas, "evidenced by the news from Detroit that speculation is rife that the new motor car may not after all be a facsimile of the 1942 models as had been assumed." This speculation is based on the fact that car manufacturers like others are permitted to build experimental models.

The American Iron and Steel Institute announced last Monday that steel production in the U. S. established a new high for the industry during the first half of 1944 despite the manpower shortages of labor and strikes. The 45,061,874 ton production of ingots and steel for castings for the first six months of 1944 is actually 1,200,000 tons higher than the 43,886,451 tons for the first half year of 1943. The 1944 production is also ahead of the previous half-year peak of 44,949,915 tons for the last six months (July to December) of 1943.

The United States Steel Corporation reported last Monday that shipments of 10,632,854 net tons of finished products by operating subsidiaries in the January 1 to July 1 period of 1944 established a new high for the corporation for the first half yearly periods.

As for the rate of steel production, the American Iron and Steel Institute places scheduled output for the week beginning July 10 at 95.7% of rated capacity, equivalent to 1,714,300 net tons of steel ingots and castings. This compares with operations at the rate of 94.3%, and output of 1,689,200 net tons a week ago. For the week beginning July 12, last year, steel output totaled 1,679,700 net tons and the rate was 96.4% of capacity.

With respect to freight carried by the railroads, carloadings of revenue freight for the week ended July 1 totaled 897,800 cars, the Association of American Railroads announced. This was an increase of 16,533 cars, or 1.9% above the preceding week this year, and an increase of 45,718 cars, or 5.4%, above the corresponding week of 1943. Compared with a similar period in 1942, an increase of 144,060 cars, or 19.1%, is shown.

Preliminary estimates of production of Pennsylvania anthracite for the month of June, 1944, according to a survey of the Bureau of Mines, reveals that total output for the month reached 5,618,000 net tons compared with 3,244,000 net tons, one year ago. Total production included colliery fuel, washery and dredge coal, and coal shipped by truck from authorized operations. For the calendar year to June 30, total production approximated 33,151,000 net tons as against 29,324,000 net tons in June, 1943.

Bituminous coal output for the week ended July 1 reflected an increase of 50,000 net tons from the preceding week, at 12,050,000 net tons, compared with 10,165,000 tons for the corresponding week last year, according to the U. S. Bureau of Mines. The low production last year resulted from a strike. Output to date—Jan. 1 through July 1, 1944—aggregated about 321,080,000 tons, as against 289,287,000 tons for a like period in 1943. The report of the Solid Fuels Administration placed production for the week ended June 24 at 12,000,000 net tons, against 12,300,000 tons in the preceding week.

As for production in the anthracite fields the U. S. Bureau of Mines reports estimated output of Pennsylvania anthracite at 1,291,000 tons for the week ended July 1, 1944, an increase of 52,000 tons, from the preceding week. Output in the corresponding week of 1943 was only 626,000 tons and was occasioned by the coal strike. For the calendar year to date, however, an increase of 12.2% is shown over the similar period of 1943.

Paper output for the week ended July 1 was equal to 92.4% of capacity, the same as in the preceding week, and 77.4% for the week ended July 3, 1943, the American Paper & Pulp Association's index of mill activity disclosed. As for paperboard, production for the same period was reported at 95% of capacity, against 96% in the preceding week.

The nationwide observance of a three-day holiday, by many of the large stores the past week failed to stem the rising trend of retail sales volume, the extent of the rise running from 3 to 7% above the same period one year ago. The unabated buying of summer and vacation goods worked in favor of higher sales, Dun & Bradstreet, Inc., reported. One unfavorable aspect of retail trade this week was evidence of a slackening in purchases in some areas where war work is falling off, resulting in a shrinkage of employment. A sustained interest in outing merchandise was reported by "Dun," with clearance sales of seasonal and overstocked lines attended by good results. Sales of department stores, the above authority states, came mainly from large volume in wines and liquors, children's apparel, fabrics, groceries, men's furnishings, and underwear. In the lighter apparel line, ready-to-

Text Of G I "Bill Of Rights"

Full text of the so-called "GI Bill of Rights," providing varied benefits to veterans of the present war, was given in our issue of Monday, July 10, starting on page 158. Reference to signing of the bill by President Roosevelt on June 22 and an outline of some of its principal features was made in these columns on July 6, page 105.

Guaranty Trust Co. Finds Increasing Interest In Proposal To Limit Federal Taxes To 25%

In discussing a proposed ceiling on Federal taxes in peace times, the Guaranty Trust Company of New York, in the June 27 issue of its monthly publication "The Guaranty Survey," states "that the Government's objective of raising by current taxation the largest practicable portion of the funds required for waging war is recognized as a reflection of sound fiscal policy."

"With the return of peace, however," it points out "a distribution of the tax load will become again the vitally important question that it was before the war."

According to "The Survey," "the passage recently of the tax simplification bill, while unquestionably a helpful step, leaves the broader and more critical aspects of the Federal tax policy essentially unaltered. A large number of business executives regard taxes as representing the most serious obstacle to the efficient functioning of our industrial system after the war. As a consequence, there seems to be an increasing interest in a specific proposal to limit the powers of the Federal Government to tax incomes, estates and gifts in times of peace to a maximum rate of 25%. To establish such a limit, a Constitutional amendment would be required." "The Survey" further says:

"There is, of course, no magic quality in the precise figure of 25%. The maximum might be placed higher or lower. But the underlying principle—that a limit on the power of the Federal Government to tax incomes, estates and gifts would contribute to the fairness, productivity and stability of our revenue system and would strengthen the foundations of our industrial structure—is worthy of the most careful examination.

"The power of the Federal Government to tax incomes rests upon the Sixteenth Amendment to the Constitution, which provides that 'the Congress shall have power to lay and collect taxes on incomes, from whatever sources derived, without apportionment among the several States, and without regard to any census or enumeration.' The proposal is to alter this amendment so as to provide that the maximum rate of such taxes shall not exceed 25%, except when the country is at war.

"Sponsors of the proposal stress the fact that their program would involve no interference with war financing, either now or in any future emergency, since the limitation would be effective only in times of peace.

"Since 1936 16 States have passed resolutions memorializing Congress with requests for the calling of a convention of representatives of the several States to consider the proposed amendment. This is half the number of States required to invoke mandatory action by Congress. In several other States, resolutions proposing participation in the movement are under consideration. Meanwhile, supporters of the movement trust that Congress will submit the proposal to representatives of the States on its own initiative without waiting for the possible enlistment of the required 32 States. It is to be hoped that the effort to bring the proposal to the stage of formal consideration will be successful.

"In the setting up of a sound and workable tax system, expediency as well as fairness must be considered. Concerning the abstract justice of a given tax structure, approximately complete agreement of opinion is clearly unattainable. But there is growing recognition of the concrete fact that too steeply graduated tax rates have harmful effects on the national economy. Even under conditions of extreme emergency, there are indefinite limits of practicable aggregate taxation. In normal times such points are reached at lower rate levels. As these limits are approached or exceeded, unsought consequences not only impair the revenue system, from the standpoint of the Treasury, but threaten far more disastrous effects on business, employment and national income.

"In 1926 the maximum rate of the tax on individual income was reduced from 46 to 25%, and in 1929 it was further lowered to 24%. Taxes paid by individuals for each of the years 1927, 1928 and 1929, under the reduced rates, were greater than the total for 1924, when higher rates prevailed. A broadly increased general schedule of rates became effective in 1933 and another in 1937, the latter at levels which were not greatly changed until they were replaced by the much higher wartime rates still in effect.

"Any attempt to weigh the justice or fairness of a system of tax rates without considering its broad practical effects is worse than useless. Undue tax concentration on the middle and higher brackets of income as a regular feature of the revenue system is objectionable not merely because it involves what many regard as an unfair distribution of necessary fiscal burdens but mainly because it operates to destroy the incentive to produce and the sources of needed capital for investment.

* * *

"Not the least desirable feature of the suggested tax limit is the greater assurance of stability that it would bring. Sound business management involves a large amount of forward planning, and a ready flow of capital into investment channels requires confidence in both the business and the tax outlook. The wide variations in income tax rates, even in times of peace, and the ever-present possibility of further broad fluctuations, have certainly interfered with business plans and have probably restricted the movement of capital into productive enterprise.

"The voluntary and unprompted action of 16 State legislatures in placing themselves on record as favoring formal consideration of the change throws strong doubt on the fear of resulting limitations on the States' powers of taxation. And if the broad conclusion suggested by the experience of the Treasury and the opinion of tax experts is true—that moderate tax rates are productive of more revenue in ordinary times than higher rates — the proposed limitation would entail no increase whatever, but should rather permit a reduction, in taxes on income receivers in the lower brackets.

"Even if some broadening of the tax base should be required, there is much to be said for such a change on grounds of equity, and more on grounds of economic expediency. A moderate increase in the share of the tax load borne by the receivers of low incomes would be a small price to pay for the health and vitality of the industrial system from which all our citizens derive their support. No tax burden could be so great as the burden of industrial stagnation and unemployment."

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wear items led the demand. A good business in beach wear, notions and hosiery was done by main floor departments, the same source reveals, while marked increases were noted in household furnishings with retail food demand spotty, though dollar volume exceeded the level of a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index, were 12% ahead of a year ago for the week ending July 1, while the previous week (ending June 24) showed a 14% gain over the corresponding week in 1943. A 7% increase in department store sales for the half-year ending July 1, 1944 over the first half of 1943 was noted.

According to Federal Reserve Bank's index, sales in New York City for the weekly period to July 1 increased by 16% over the same period of last year. For the four weeks ending July 1 sales rose by 9%, and for the year to July 1 they improved by 8%.

Government Receipts And Expenditures At Peak In Fiscal Year

The following statement was made on July 3 by Secretary Morgenthau:

"Government receipts and expenditures for the fiscal year 1944 reached unprecedented peaks, as revealed in the Daily Treasury Statement for June 30, 1944, released on July 3.

"Receipts for the fiscal year 1944 (exclusive of amounts set aside for account of Federal Old-Age and Survivors Insurance Trust Fund) amounted to $44,149,000,000, an increase of $21,867,000,000, or nearly double the amount of net receipts for the fiscal year 1943, the previous record year.

"Total budgetary expenditures (exclusive of public debt retirements) amounted to $93,744,000,000 for the fiscal year 1944, an increase of $15,565,000,000 over the previous year.

"Expenditures for war activities amounted to $87,039,000,000. In addition, the Reconstruction Finance Corporation and its subsidiaries spent $2,682,000,000 for war activities during the year. These items together with interest on the war debt accounted for more than 95% of total expenditures.

"The net deficit for the year was $49,595,000,000, as compared with $55,897,000,000 for the preceding year. Although total expenditures were $15,565,000,000 more than in the fiscal year 1943, the deficit was $6,302,000,000 smaller due to the fact that tax collections were substantially greater.

Steel Output A Record For First Six Months

New records for steel production were set during the first six months of 1944 when, despite increasing shortages of manpower, the American steel industry produced 45,061,874 tons of ingots and steel for castings, the American Iron and Steel Institute announced on July 11. This was almost 1,200,000 tons above the 43,886,451 tons produced in the corresponding period of 1943 and exceeded by a narrow margin the previous record output of 44,949,915 tons produced in the second half of last year. Most of the increase in production came in the early months of this year.

In June, output was 7,217,232 tons, which was equivalent to 1,682,338 tons per week and represented the lowest weekly average in six months. In May, steel production totaled 7,680,472 tons, or an average of 1,733,741 tons per week. In June, 1943, a total of 7,039,353 tons was made, or 1,640,875 tons per week.

During June, the steel industry operated at an average of 93.9% of capacity, which compares with 96.8% in May and 94.8% in June a year ago. Operations during the first half of this year averaged 96.7% of capacity, as against 98.0% in the corresponding 1943 period.

Industry Must Adjust Financial Problems Now To Prevent Idleness After War Contracts End

Industry must adjust its financial problems now to prevent business failure and widespread unemployment when war contracts are cancelled, Norman W. Wilson, Chairman of the Corporation Peacetime Planning Committee of the National Association of Manufacturers, warned on June 23, at which time he stated that "a high level of employment after war production falls off will depend in a large measure upon the success with which post-war financing problems are met."

Mr. Wilson, who is President of Hammermill Paper Co., sounded this warning in a "Guide to Post-War Financial Planning for Manufacturers," last in a series of five planning guides issued this year by NAM.

"Hundreds of companies have an unfounded sense of security from reports about the condition of other businesses, and apparently are not even aware of coming problems which threaten their very existence," Mr. Wilson emphasized. "Quoting statistics to the manufacturer who is an exception is like telling a sick man about the general health of the community and will not cure his own difficulty," he continued. "Jobs, incomes and even the perpetuation of our competitive business system depend to a substantial degree on whether individual companies can solve the financial problems involved in conversion to peacetime production."

The guide was prepared by the Peacetime Planning Committee's Subcommittee on Finance, the Chairman of which is W. A. Skelton, Vice-President of the Meisel Press Manufacturing Co., Boston. Its other members are F. W. Gilbert, Vice-President, A. C. Gilbert Co., New Haven; R. A. Livingston, President, Tubing Seal-Cap, Inc., Los Angeles; W. R. Munk, Thonet Brothers, Inc., New York; Bernard Peyton, Vice-President, New York Air Brake Co., New York; A. L. Lewis, President of Lewis-Shepard Sales Corp., Watertown, Mass.; Frederick M. Daley, President, Sponge Rubber Products Co., Derby, Conn.; E. C. Brelsford, Weston Electric Instrument Corp., Newark, N. J., and Joseph Ready, Electric Power & Light Corp. of New York.

Mr. Wilson explained that the guide was designed especially for those companies which will have heavy expenses in changing over to peacetime production.

"Many executives," says the guide, "have a vague impression that they can borrow large sums satisfactorily from some government agency, and that this will solve their problems. Others, having looked into this source of funds, oppose government loans because of the many direct encroachments on private management's prerogatives provided for in such agreements." The guide adds:

"The problems are especially difficult for small companies which are not staffed with experts to deal with finance. They cannot easily resort to public financing because costs and government red tape are well-nigh insurmountable barriers for any but large companies seeking huge sums. Furthermore, small companies which lack a national reputation could not be sure of public acceptance of their securities if they were offered."

Industry would find the government to be its largest creditor, if the war were to end today, according to the guide, which pointed out that the government also owes industry large sums.

"The process of unwinding from the government will be much more difficult than the winding-up process," warned the guide. "Demobilization may strike suddenly and sufficient funds must be made available to meet the cost for both government and industry. The wheels of government move slowly, but industry cannot wait," it was explained. "Industry must seek the quickest available sources for cash." It is further noted:

"Many companies have needed their funds to carry on their war business. Many have set up reserves on a lump sum basis, not founded on factual data. As the elements of post-war costs become more clarified, a company is better able to develop a budget with the definite purpose of financing such costs when the war ends.

"In many instances, a severe shortage will be found—and the need becomes obvious to mortgage plants, or issue securities, or to establish an increased basis for credit between government, banks, creditors, and the affected company until new peacetime income begins to flow back into the company."

Preceding issues of this series of planning guides issued by the NAM explored problems of Internal Organization, Sales Planning, Product Development and Cost Study. In the preparation of this series, it is stated, pertinent questions were discussed with many leading executives in all parts of the country and from various segments of business.

NY Trust Inaugurates Semi-Annual Report

Reporting on a semi-annual basis for the first time in its history, The New York Trust Company shows a net operating income for the first six months of 1944 of $2,045,810, or $3.41 per share. This compares with a net of $1,715,524 for the first half of 1943 or the equivalent of $2.86 per share. The usual dividend of $1.75 per share was paid in the first half of 1944. Loans and discounts as of June 30, 1944, stood at $188,349,955, an increase of $46,000,000 as compared with June 30, 1943. The bank increased its holdings of United States Government obligations for the same period by $71,000,000 and now holds a total of $455,606,903.

In discussing the policy of issuing a semi-annual report. John E. Bierwirth, President, said:

"Beginning with the year 1941, we have published an annual report with operating results and a discussion of the main features of the year's business. We intend to continue this practice, and are inaugurating at this time a semi-annual report on a comparative basis showing the operating details for the first six months of the current year with the usual statement of condition."

Withdraw Citizenship Of Disloyal Japanese

On July 3 President Roosevelt signed legislation to withdraw the citizenship of Japanese born in this country whose loyalty to the enemy marks them as Japanese nationals. Associated Press advices from Washington reporting this, added:

"Attorney General Biddle said the law was needed to deal with the problem of 300 to 1,000 Japanese at the Tule Lake Relocation center who, he said, 'assert their loyalty to the Emperor of Japan and their desire to renounce their United States citizenship and to be recognized as Japanese nationals.'

"By making it possible for this group to abandon American citizenship, Mr. Biddle said, 'they could thereupon be dealt with as alien enemies under the applicable statutes.'"

The Financial Situation

(Continued from first page)

home with some face-saving formula—it may not be the function of these delegates to do any such thing, but it would certainly be heartening to many informed citizens of this country if some one with adequate authority or influence were devoting himself to this task. As things are actually going, the technical details of this or that plan or of this or that proposed modification apparently absorb the attention of the delegates, and of the press, to the exclusion of any and everything else.

Thus it comes about that the man in the street is wholly unaware that the schemes being hatched out at Bretton Woods rest upon notions which for centuries long have been regarded by practically every one entitled to an opinion as wholly out of accord with fact and sound management of practical affairs. It may well be questioned whether one man in a thousand has even a suspicion that the factors which will make possible or impossible reasonably stable exchange rates in the future years are for the most part not even under consideration at Bretton Woods. No more frequently found is the man who understands that despite all the repeated resolutions that "the mistakes of the past" will not be repeated, these proceedings and all those which have gone before are for the most part going forward without even a serious attempt to get at the roots of the currency debacles which occurred between the two world wars.

Stability Wanted?

So much has been said for so long about stability among the exchanges of the world that the average man is probably under the impression that the main purpose of this meeting and of the various plans that have been presented is, above all, to assure reasonably stable rates of exchânge in the foreign exchange markets of the world. Yet in any but a purely Pickwickian sense this is not true at all. President Roosevelt "ditched" the London conference in 1933 because he was not willing to quit tinkering with our currency for the sake of international stability. Lord Keynes is time and again on record as believing that stability was achieved under the prewar gold standard at a prohibitively high cost. It is probably widely believed that the "pressure" that the managers of the proposed fund would normally bring upon any nation would be in the interest of greater care, conservatism and soundness in the management of its domestic affairs. The fact is that a different kind of objective appears to be much more consistent with the doctrines which Lord Keynes in Great Britain and Mr. Hansen in this country have been consistently and repeatedly preaching for a long time past. According to their ideas what is wanted is an "expansionist" economy. By this term they apparently mean a perpetuation of what used to be called upward swing of the business cycle — a sort of boom without end or "pay day."

"Expansionist"

The supporters of this doctrine have often set forth in rough outline what they would do to bring such a state of affairs into being and maintain it. They would simply create funds and pour them out in amounts comparable perhaps to those we have grown accustomed to during this global war — and keep right on doing so as long as it is necessary in order to keep the pot boiling. Apply this sort of thinking to the international situation, and we have quite logically the notion that such a fund (and bank) as is here being proposed would be used directly and indirectly in case of disequilibria not to bring the overexpanded or profligate nation into line, but to "stimulate" the others to expand, to become profligate, to develop boom conditions within their own borders and thus bring their currencies into line—that is, by equally inflating them all. Ideas of this sort seem to us to be implied in a good deal that Lord Keynes has been saying since his arrival at Bretton Woods.

At many other points the modern ideas of the so-called economists of the "forward" countries of the world definitely underlie much of what is being said and what is being planned at Bretton Woods, and in much that went on in preparation for it. Here as on so many other occasions the old idea that "loans" are a cure for underlying ills runs rampant. It appears to be supposed that borrowers aplenty with reasonable showing of ability to use money profitably and usefully will appear on all sides. Here again it is found convenient to forget that loans have an unfortunate habit of falling due, and that year by year interest must be paid upon them— must be paid if the borrower is to stay out of bankruptcy whether or not the enterprise is earning it. The commonplace fact that in the past—and almost certainly again in the future —it has been "risk capital" which has pushed back the frontiers of industry and trade and is responsible for the progress of the world is forgotten. Most of the kind of operations these international monetary "experts" appear to want to have undertaken are suitable in any event only for those who have funds of their own and are willing to take the obvious risks involved against the hope of extarordinarily large profits. To make matters worse, the demand for bona fide loans and the need for pure charity appear to be hopelessly confused.

"Spreading" Risks

The currently common error of supposing that risks inherent in many situations can be eliminated or rendered harmless by somehow "spreading" them is evident. To listen to some of these "economists" one would suppose that a man on his way to the electric chair would be a "good risk" for the insurance business if only enough companies shared in the policy and the poor devil was able to pay a slightly higher premium. Loss is less crippling to business if widely shared, but nothing can replace careful choosing of risks in business — the kind of choosing that a shrewd business man is able to effect, and will effect when it is his own money that is to be risked.

Complete abandonment of such fallacies as these, and the formulation of both national and international policies which encourage "the normal growth of industry and trade, not some new kind of a fund" or bank, is what is needed.

Items About Banks, Trust Companies

The First National Bank of the City of New York, in its report of condition at the close of business June 30, 1944, shows total resources of $1,139,258,110 and total deposits of $1,005,698,921, compared with $1,091,020,303 and $939,720,778 on Mar. 31, 1944; cash and due from Federal Reserve banks and other banks, including exchanges is listed at $154,072,955 against $135,448,279 three months ago; holdings of U. S. obligations, are shown as $747,135,630 compared with $763,905,901; and loans and discounts are now $132,840,170 against $83,455,054; capital and surplus remained unchanged at $10,000,000 and $100,000,000, respectively. Undivided profits on June 30 are given as $16,463,085, after making provision for the July 1 dividend of $2,000,000, compared with $15,026,808 on Mar. 31 after providing for the Apr. 1 dividend of $2,000,000.

The promotion of George J. Messemer from Assistant Secretary to Assistant Vice-President of Irving Trust Company of New York was announced on July 6 by Harry E. Ward, Chairman of the Irving's Board. Mr. Messemer has been with the Irving since 1918 in its foreign division. He was made an Assistant Secretary of the company in 1937. He has been active in a number of organizations interested in foreign trade, and recently retired from the chairmanship of the Committee on Foreign Banking after serving two years in that capacity.

The statement of the Chase National Bank of New York for June 30, 1944, made public July 6 shows deposits on that date of $4,677,873,000, the largest deposit figure yet reported by the bank, compared with $4,457,582,000 on March 31, 1944. Total resources amounted to $4,990,183,000, compared with $4,766,000,000 on March 31; cash in the bank's vaults and on deposit with the Federal Reserve Bank and other banks, $886,348,000, compared with $936,854,000 three months ago; investments in United States Government securities, $2,778,218,000, against $2,691,990,000; loans and discounts $1,048,627,000, contrasted with $878,952,000. On June 30, 1944, the capital of the bank is shown as $111,000,000, and the surplus $124,000,000, both figures unchanged from those reported as of March 31, 1944. The undivided profits on June 30, 1944, after deducting $5,180,000 from that account for a semi-annual dividend payable Aug. 1, amounted to $43,209,000, compared with $43,107,000 last March 31.

Net current operating earnings of the bank for the first half of 1944, after expenses and taxes, were $9,134,000, equal to $1.23 a share, compares with $7,276,000, equal to 98 cents a share in the first six months of 1943. In addition, net profits from the sale of securities were $1,377,000, equal to 19 cents a share for the first half of 1944, as compared with $2,696,000, equal to 37 cents a share for the same period in 1943. Resulting total net earnings were $1.42 for the first six months of 1944 as compared with $1.35 for the first half of 1943.

Brown Brothers Harriman & Co., private bankers, report that deposits as of June 30, 1944, totaled $148.448.365 compared with $139,204.936 three months ago and $143,766,723 a year ago. Total assets on June 30 amounted to $169.940,171 compared with $161,380.509 on March 31, 1944, and $165.666,602 on June 30, 1943. Capital and surplus of $13.566.234 compared with $13.545.553 three months ago and $13,485,777 a year ago. Loans and advances were $42,150,908 compared with $39,709,313 on March 31, 1944, and $35,445,334 on June 30, 1943. Other important asset items compare as follows with figures for three months and a year ago: Cash, $33.869,085 against $33.012.725 and $32.583,399; and United States Government securities (valued at lower of cost or market), $53,889,513 against $52,514,532 and $66,446,330.

The Continental Bank & Trust Company of New York reported as of June 30 total deposits of $157.157,449, and total assets of $168.431,308, compared, respectively, with $136,633,212 and $147,062.120 on March 31. Cash on hand and due from banks amounted to $27.948,382, against $31,309,996; holdings of U. S. Government obligations to $77,177,110, against $64,504,868; loans and discounts to $51.626,931, against $41,654,447. Capital and surplus were unchanged at $4,000,000 each. Undivided profits were $1,508,651, against $1,388,625.

Statement of condition of Sterling National Bank & Trust Company of New York at June 30. 1944, shows an all-time high in resources and deposits of $98,230,012 and $92.046.946, as compared with $90,097,399 and $83.991,611. respectively, as of March 31, 1944. Of the June total deposits of $92,046,946. U. S. Government deposits increased to $13,320.307, as compared with $10,094.472, shown on March 31 last; Commercial and other deposits reached an all-time high of $78.726.639, as compared with $73.897.139. Capital, surplus and undivided profits totaled $4,791.299 as against $4,773,885 on March 31.

Cash and due from banks amounted to $21.980.165 on June 30, 1944. against $21.583.667 on March 31; U. S. Government securities increased to $47,720,375, as compared with $39,918,299; state, municipal and corporate securities amounted to $1,594,458, compared with $1,547,625; loans and discounts amounted to $26,047.844, against $26,004,733. Stock in Federal Reserve Bank remained the same, namely, $135,000. Reserves increased to $725,142, as compared with $617,471 on March 31, 1944.

J. Henry Schroder Banking Corporation reports total resources of $54,870,638 on June 30, 1944, against $48,932,350 on March 31, 1944. Cash on hand and due from banks was $7,302,459 against $5,322,214. U. S. Government securities were $33,825,806, against $28,336,914; customers' liability on acceptances, $4,662,713, compared with $5,357,622 in March Surplus and undivided profits were $2,641,227, against $2,637,326 in the previous quarter; amount due to customers was $40,532,380, against $33,321,785. Acceptances outstanding were $5,189,515, compared with $6,480,022.

Schroder Trust Company reported June 30 resources of $41,900,968, compared with $34,290,256 on March 31; cash and due from banks, $5,469,852, against $4,909,684; U. S. Government securities, $32,538,158, against $25,066,880; loans and discounts, $3,100,123, against $3,560,867. Surplus and undivided profits were $2,044,903, against $2,041,476. Deposits were $38,133,336, against $30,394,477.

Manufacturers Trust Company, New York, has announced that William L. Fraser and William B. Whitman in the Out-of-Town Department at the Main Office, 55 Broad St., New York, formerly Assistant Secretaries, have been elected Assistant Vice-Presidents. James M. Macpherson, formerly Assistant Secretary, in charge of Central Operating Department at the Main Office, has been elected an Assistant Vice - President. Emanuel M. Reeves, formerly Assistant Secretary, at the bank's office at 530 Seventh Ave., corner 39th St., New York, has been elected an Assistant Vice-President.

It is also announced by the Manufacturers Trust Company that Harold C. Dean, Executive Vice-President of the New York & Queens Electric Light & Power Co. of Long Island City, and Edward J. Sovatkin, President of the J. Sklar Manufacturing Co. of Long Island City, have been elected to the Advisory Board of the bank's Queens Plaza Office at 29-28 41st Ave., Long Island City.

Earl Harkness, President of the Greenwich Savings Bank of New York, has announced the appointment of Herman G. Berdolt as an Assistant Treasurer of the bank. Mr. Berdolt will succeed George A. Roeder, who retired July 1 after 37 years of service with the bank. Mr. Berdolt goes to his new post from the Lawyers Title Corporation of New York, where he was Vice-President and Treasurer. The Greenwich Savings Bank, which has two offices on Sixth Ave., at 36th St. and at 16th St., is one of the nation's largest savings banks. It has resources of $175,000,000 and serves more than 153,000 depositors.

Herbert W. Bell, Vice-President at the Fifth Avenue Office of the Guaranty Trust Company of New York, died on July 8, at the New York Hospital, following a short illness. Mr. Bell was born in Yonkers, N. Y., Nov. 26, 1897. He began his business career with the Westchester Trust Company of Yonkers. His next connection was with a New York brokerage house, which he left in 1918 to join the Guaranty as a credit investigator at the Main Office. Two years later he went to the Fifth Avenue Office, where be became head of the Credit Department. Mr. Bell was appointed an Assistant Treasurer in 1924,

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Priority Referral System Affects Women As Well As Men WMC Announces

Completion of local plans in every State to put into effect the War Manpower Commission's order that beginning July 1 all male labor must be hired through the U. S. Employment Service or such channels as it may designate, was announced on June 30 by Chairman Paul V. McNutt. This national program, he explained, results from the setting up of a nation-wide system of manpower priority referrals to give war industries the labor they need.

Women as well as men have been brought under the priority referral system in many communities, Mr. McNutt said. He explained that in extending the system to women, regional directors have acted under authority given them by headquarters to adapt the program to local conditions and requirements. In some cases the application of the hiring restrictions to women affects only those in critical occupations.

The advices from the WMC also said:

"Certain areas in the following States also require that women be hired through USES or its approved channels: Connecticut, Massachusetts, New Hampshire, Rhode Island, New Jersey, Delaware, Ohio, Florida, Georgia, Mississippi, Tennessee, South Carolina, Nevada, Oregon, Arizona and California.

"With the field machinery set up along new lines, WMC will intensify its recruitment of workers, Chairman McNutt said. The priority referral plan with its provision that employers do all their hiring through the designated channels, will, the Chairman believes, make it possible to bring about the transfer of many workers from less-essential to essential industries and from areas where there is a surplus of labor to those where the obtaining of labor has become a serious problem.

"The 12 regional directors have reported to headquarters the naming of local manpower priorities committees with responsibility for determining what priority, if any, an industry, or business establishment, shall have in hiring workers. Wherever administratively possible, a committee has been set up to handle the situation in each area. In a number of regions this has not been found practicable and in such cases one committee will act for two or more areas, Mr. McNutt said.

"In New York City, which has a labor surplus, the regional director has departed somewhat from the national pattern in establishing the priority referral plan. There the plan will be applied only to less-essential employers of four or more employees. These employers may not hire male workers between the ages of 18 and 45 except upon referral by the local office of the USES.

"The Manpower Priorities Committee, already established in New York City will determine priorities for essential firms. Plans have been made for a special recruiting program for additional male workers channeled through USES.

"Employment ceilings have been established in Group I and II communities, in which labor is scarce. In many communities such limits on employment already had been fixed. Mr. McNutt explained that considerable latitude has been given the field men in limiting employment. The chief concern of headquarters, he said, is that the ceiling be fixed on male labor but in some cases the local officials have applied them to women as well as to men.

"In all communities ceilings for major war production employers are established on the basis of the minimum number of workers required to insure required production. Other ceilings vary according to local conditions and requirements. (In some communities the number of workers allowable at a plant is the number on the payroll on June 1. In other cases the June 30 payroll is the determining factor and in others the number employed on dates earlier than June have been taken.) These ceilings, Mr. McNutt explained, are expected to maintain employment at present levels or even to lower the level where practicable by limiting replacements.

"Regional directors have assured headquarters, Mr. McNutt said, that consultation of WMC officials and members of local management - labor committees preceded action on every phase of the program. Every action taken, he reported, has the endorsement of the management-labor group which, in turn, represents the local employers and workers. Mr. McNutt emphasized that success of the priority referral plan will be determined by effort in the field and that the field operations will be supported by headquarters at every point. He said the National Priorities Committee recently established in Washington will function precisely as do the local committees except that it will determine priorities for inter - regional recruitment. The membership is practically the same as that of the National Committee. Area committees include representatives of WMC, the War and Navy Departments, War Production Board, Selective Service, Maritime Commission, Smaller War Plants Corporation, Aircraft Resources Control Office, War Food Administration, Office of Defense Transportation when there are transportation problems and Civil Service if government employment is an important factor. The entire program, Mr. McNutt said, has the endorsement of the National Management-Labor Policy Committee.

"Both employers and employees will have the right of appeal from any decision of local officials of WMC, Mr. McNutt said. It has not been necessary to set up new appeals units since such machinery has been in existence since the early days of WMC. As an indication of the importance of placing employment ceilings on industries in the tight labor market areas, Mr. McNutt said there are now in these areas 79% of the nation's munitions industries. Exactly what proportion of the workers of the country are found in plants located in such areas has not been determined but in war munitions throughout the country there are employed 9,700,000 workers of whom 2,700,000 are women. These totals, he added, do not include the men and women engaged in many other essential industries and necessary services.

Specific communities in which the Priority Referral System has been extended to apply in one way or another to women are:

Region I—(Maine, New Hampshire, Vermont, Connecticut, Rhode Island, Massachusetts)—Bristol, Conn.; Meriden, Conn.; New Britain, Conn.; Waterbury, Conn.; Springfield, Mass.; Claremont, N. H.; Portsmouth, N. H.; Providence, R. I.

Region II—(Pennsylvania, Delaware. New Jersey) — Newark, N. J.; Wilmington, Del.

Region IV—(District of Columbia, Maryland, North Carolina, Virginia, West Virginia)—District of Columbia, Baltimore, Md.—women released from essential and locally needed only.

Region V — (Kentucky, Michigan, Ohio)—Adrian, Mich.; Dayton, Ohio; Springfield, Ohio; Lima, Ohio; Monroe, Mich.; Sidney-Piqua-Troy, Ohio; Youngstown, Ohio.

Region VII—(Alabama, Florida, Georgia, Mississippi, South Carolina, Tennessee)—To women except Tampa, Fla.; Jacksonville, Fla.; Jackson, Miss.

Region XII—(Arizona, California, Nevada, Oregon, Washington) —California and Oregon—women in critical occupations.

In Region VIII women have been included in 45 areas, or an estimated one-half of the region.

Truckloading Volume Increased In May

The volume of freight transported by motor carriers in May increased 4.9% over April and 4.1% over May, 1943, according to statistics released on June 30 by the American Trucking Associations, Inc. The increase over last year's volume was in contrast with decreases in March and April under the comparable months of 1943.

Comparable reports received by ATA from 342 motor carriers in 47 States and the District of Columbia showed these carriers transported an aggregate of 2,876,902 tons in May, as against 2,743,557 in April, and 2,764,100 in May of 1943.

The ATA index figure, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 174.71 in May; the April index was 172.12.

Approximately 80% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category increased 5.1% above April and 1.5% above May, 1943.

Transportation of petroleum products, accounting for about 13% of the total tonnage reported, showed an increase of 2.2% above April and was 24.9% above May of last year.

Carriers of iron and steel products hauled about 3% of the total tonnage. Their traffic volume was 7.1% above that of the previous month and was 8.2% above May, 1943.

About 4% of the total tonnage reported consisted of miscellaneous commodities, including tobacco, milk, textile products, coke, bricks, building materials, cement and household goods. Tonnage in this class increased 7.5% above April but declined 1.4% under May of last year.

Steel Payrolls In May Rose To New High Peak

Steel industry payrolls and average weekly earnings of wage earners climbed to a new peak in May, the American Iron and Steel Institute announced on July 8. A total of $145,427,000 in payrolls was distributed during the month, as against $138,860,000 in April and $137,404,000 in May, 1943. The previous record monthly payroll was $145,285,000 in March this year. The Institute's statement further stated:

"Wage-earning employees received an average of 118.4 cents per hour in May and worked an average of 47.5 hours per week, indicating average weekly earnings of $56.25.

"By comparison, in April steel wage-earners received 119.0 cents per hour and worked 45.9 hours per week—indicating average weekly earnings of $54.60 per worker. The previous peak for weekly wages was March, 1944, when average earnings of 115.9 cents per hour and a 47.7 hour work-week indicated average earnings of $55.30 per week.

"In May a year ago, steel industry wage employees earned an average of 113.4 cents per hour and worked 41.9 hours per week.

"During May, 1944, the industry employed an average of 569,000 employees, compared with 573,000 in April. In May, 1943, a total of 632,000 employees was at work."

President Roosevelt Approves Legislation Promising Philippine Independence

Two resolutions incident to the bringing about of the independence of the Philippines were approved by President Roosevelt on June 30. A statement by the President incident to his signing of the resolutions, points out that the first of these lays down "a policy for the granting of independence, and for the acquisition of bases adequate to provide for the mutual protection of the United States and the Philippine Islands." It is also observed by the President that the resolution declares it to be the policy of Congress "that the United States shall drive the treacherous, invading Japanese from the Philippine Islands, restore as quickly as possible the orderly, free democratic processes of government to the Filipino people, and thereupon establish the complete independence of the Philippine Islands as a separate self-governing nation."

It is made possible by the measure, said the President, "to proclaim independence as soon as practicable after constitutional processes and normal functions of government have been restored in the Philippines."

The second resolution, the President noted, "brings into effect the joint economic commission first ordained in the present organic act, and enlarges its scope to include considerations of proposals for the economic and financial rehabilitation of the Philippines." It was noted by the Associated Press that before the war the Philippines were to have received their independence July 4, 1946.

The President's statement made with the approval of the resolutions follows:

"I have signed today two joint resolutions of Congress respecting the Philippines. The first of these resolutions lays down a policy for the granting of independence and for the acquisition of bases adequate to provide for the mutual protection of the United States and the Philippine Islands.

"In that resolution it is declared to be the policy of 'the Congress that the United States shall drive the treacherous, invading Japanese from the Philippine Islands, restore as quickly as possible the orderly, free democratic processes of government to the Filipino people, and thereupon establish the complete independence of the Philippine Islands as a separate self-governing nation.' The measure makes it possible to proclaim independence as soon as practicable after constitutional processes and normal functions of government have been restored in the Philippines.

"It is contemplated that as soon as conditions warrant, civil government will be set up under constitutional officers. It will be their duty forthwith to take emergency measures to alleviate the physical and economic hardships of the Philippine people and to prepare the Commonwealth to receive and exercise the independence which we have promised them. The latter includes two tasks of great importance: Those who have collaborated with the enemy must be removed from authority and influence and the political and economic life of the country; and the democratic form of government guaranteed in the Constitution of the Philippines must be restored for the benefit of the people of the islands.

"On the problem of bases the present organic act permitted acquisition only of naval bases and fueling stations, a situation wholly inadequate to meet the conditions of modern warfare. The measure approved today will permit the acquisition of air and land bases in addition to naval bases and fueling stations.

"I have been informed that this action is most welcome to Commonwealth authorities, and that they will gladly cooperate in the establishment and maintenance of bases both as a restored Commonwealth and as an independent nation. By this we shall have an outstanding example of cooperation designed to prevent a recurrence of armed aggression and to assure the peaceful use of a great ocean by those in pursuit of peaceful ends.

"The second joint resolution signed today brings into effect the joint economic commission first ordained in the present organic act, and enlarges its scope to include consideration of proposals for the economic and financial rehabilitation of the Philippines.

"We are ever mindful of the heroic role of the Philippines and their people in the present conflict. Theirs is the only substantial area and theirs the only substantial population under the American flag to suffer lengthy invasion by the enemy. History will attest the heroic resistance of the combined armies of the United States and the Philippines in Luzon, Cebu, Iloilo and other islands of the archipelago.

"Our character as a nation will be judged for years to come by the human understanding and the physical efficiency with which we help in the immense task of rehabilitating the Philippines. The resolution creates the Philippine Rehabilitation Commission whose functions shall be to study all aspects of the problem, and after due investigation report its recommendations to the President of the United States and the Congress, and to the President and the Congress of the Philippines."

According to Associated Press advices from Washington June 30, Vice-President Sergio Osmena of the Philippine government-in-exile hailed the new legislation as "a long step toward the real freedom and independence of the Philippines and its survival as a free and Christian nation."

These advices added:

"However, President Manuel L. Quezon, in poor health for some time, issued a statement from Saranac Lake, N. Y., saying he had supported an original draft of the legislation, as introduced by Senator Millard E. Tydings (Dem., Md.), to grant Filipino independence outright within 30 days after its passage.

"Implying he favored a more definite statutory provision for the Islands' independence date, President Quezon quoted from correspondence with Senator Tydings and Representatives Walter H. Judd (R. Minn.), and C. Jasper Bell (Dem., Mo.), who helped draw up the resolutions. The legislators all stressed. Mr. Quezon said, that the new law 'advances the date of indepence in case the Philippines is liberated before July 4. 1946, and in any event does not postpone it beyond that date.'"

Money in Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the money held in the U. S. Treasury and by Federal Reserve Banks and agents. The figures this time are those of May 31, 1944, and show that the money in circulation at that date (including of course that held in bank vaults of member banks of the Federal Reserve System) was $22,160,029,257 as against $21,552,231,236 on April 30, 1944, and $17,113,731,415 on May 31, 1943, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914, total was $3,459,434,174.

Credit Role Of Banks To Small Business Stressed By Stonier At Graduation Exercises

The role of American banking as the servant of business, large and small, in contrast with the British banking system was emphasized by Dr. Harold Stonier, Director of The Graduate School of Banking, in his address to the student body of the school at its commencement exercises in the Voorhees chapel on the Rutgers campus at New Brunswick, N. J., on June 30.

The annual summer session of the school, which the American Bankers Association conducts at Rutgers, closed on July 1; 471 bank officers have been in attendance at the session and 125 from banks in 26 States were graduated June 30, making a total of 1,255 graduated since the school began ten years ago. In addition, two men in the armed forces graduated in absentia, having completed their studies and written their theses while on military duty.

Diplomas were presented to the graduates by Raymond N. Ball, President of the Lincoln-Alliance Bank and Trust Company, Rochester, New York, who is Chairman of the Board of Regents of the Graduate School.

"Our banking system has survived wars, panics, and failures because it has always had as its major objective credit service to industry—small industry as well as large," said Dr. Stonier, who added:

"Unlike the British banks, we have catered to small business and to the man with the small savings account. British banks have not thought much about the little fellow during the past 50 years. During that time the banks of Great Britain have become great and few through mergers and consolidations. They directed people with small savings accounts to go to the post offices and to the savings and loan associations, although Britain was the original home of the savings bank. Small trust accounts have been handled by the Public Trustee, a State-owned corporation which is one of the largest corporations in the world today. Small business was discouraged by lack of thought given to it by the five big banks of England.

"Our banking system has had its faults, and has some today, but we have been anxious even in times of war to serve the credit needs of small business. The great Midland Bank of London within the past few months has opened an advertising campaign for small business accounts — something which thousands of Americans have been doing for decades. No chartered banking system can live very long under a democratic form of government that does not everlastingly think of its obligations to small business and to the thrift accounts and the small trusts and investments of the average man," he declared.

The graduating bank officers were urged by Dr. Stonier "not to take totalitarianism either lying down or by default. Democracy is the most difficult of all forms of government to maintain because it puts mental and spiritual burdens on the average man which he is often too careless or too lazy to assume," he said. "Democracies do not die from revolution; they simply cease to live from lack of attention." He went on to say:

"Total war during the past decade has become the new enemy of democracy. Paradoxical as it may seem, total war which this democracy is now waging to defeat totalitarianism may become the instrumentality to kill democracy in the United States of America. Beyond a doubt, democracies dressed up in the uniform of totalitarianism will win this war. The question of the decade to come is: Will democracies throw away the clothes of totalitarianism? Democratic totalitarianism is not as obvious or as ruthless as totalitarianism under dictators, but in the end the results are the same. The individual loses the dignity of citizenship by the promise of personal economic security. That security he pays for by giving up his rights and responsibilities as a citizen and by becoming a fattened vassal of a super State.

"That may be the way of the future, but before we turn down that road let us urge our people to think. Let's not take even democratic totalitarianism lying down or by default.

"The decade ahead of us is a decade of determinism. The fate of America for centuries may be determined in the next ten years. Above all, we need now in this country a renaissance of the kind of statesmanship and of individual political thinking which resulted in the writing of our charter of liberties—the Constitution of the United States of America. In this weary and war-torn world, it still stands as the last best hope on earth."

Twenty-one New York City bank officers were among the graduates. They are: Gustav T. Andren and Thomas S. Sites, of the Dime Savings Bank, Brooklyn; Louis J. Asterita, American Bankers Association; Richard Brower, Henry Burgess, Paul B. Clerke and William H. Switzer, all of the Bowery Savings Bank; Briant Cookman and John Hurley of the City Bank Farmers Trust Company; Harvey Fleetwood, Jr., and Walter W. Jeffers of the National City Bank; J. Frank Honold and Samuel Pippitt of the Chase National Bank; Karl E. Kaatze, the Prudential Savings Bank, Brooklyn; Paul C. Matthews and Robert Stephens of the Guaranty Trust Company; William E. Mehrling, Irving Savings Bank; Albert Muench, New York State Bankers Association; Edward S. Peterson, New York Trust Company; Walter Rushmore, Federal Reserve Bank, and Bruce Thauburn, Moody's Investors Service.

Revised Rules On Property Improvement Loans Insured With FHA

Commissioner Abner H. Ferguson of the Federal Housing Administration, National Housing Agency, announced on July 2 the issuance of revised regulations, effective July 1, on property improvement loans insured with FHA. The regulations were designed in anticipation of an enormous volume of repair, remodeling and modernization work on residential properties in the post-war market, and to protect the public—then and now—against overpricing and other unethical practices on the part of some contractors and dealers, according to the announcement issued by the NHA.

Summarizing the amendments to the regulations, Commissioner Ferguson said that some had been made in the interest of clarity, others in the light of making Title I of the National Housing Act an even more efficient aid to the building industry. He cited a recent survey which indicated that a market of at least $3,000,000,000 in home repair and modernization work waited only the relaxing of wartime restrictions upon materials and credit. He further said:

"The most important change in the regulations so far as lenders, dealers and contractors are concerned are new requirements designed to restrict the operations of a comparatively few unscrupulous dealers, who have been abusing, in one way or another, the privileges extended under Title I of the Act. On and after July 1, 1944, lending institutions will be required to investigate all dealers from whom they purchase Title I paper, and to satisfy themselves before accepting such paper that the originating dealer is reliable, financially responsible and qualified to perform satisfactorily the work to be financed and to extend proper service to the customer."

Mr. Ferguson remarked that considering the tremendous volume of business transacted under Title I during the last ten years, amounting to more than 4,500,000 individual property improvement loans for $1,800,000,000, there has been comparatively little abuse of this form of consumer credit. Nevertheless, he pointed out, irregular methods undertaken by some dealers tend to discredit the operations of legitimate dealers, to bring the products of manufacturers into disrepute and to destroy public confidence in the property improvement program. He also stated:

"The new provision will in no way impair the use of Title I facilities by responsible dealers. It will, however, deter the irresponsible dealer who misrepresents a product, overprices a transaction, engages in other sales practices which the vast majority of manufacturers, dealers and contractors regard as unethical and against the public interest. Moreover, lenders will be cautioned that they are to hold the dealers with whom they transact Title I business, strictly accountable for the acts of their salesmen."

Noting that while responsibility to pass upon the credit of the applicant continues to be vested in the lending institution, the Commissioner added that the new regulations make it clear that the lending institution is expected to observe prudent lending practices in granting loans. "Property improvements in the post-war period will provide jobs for hundreds of thousands of workers," said Mr. Ferguson. "It will become an attractive field for new salesmen and dealers, who should be made aware at the outset that the liberal terms of FHA time-financing must not be misused."

Mr. Ferguson added that in the interest of both dealers and lenders, and to expedite Title I transactions, the credit application has been shortened and simplified. Only such information is required from the borrower as is deemed essential, measured by the most advanced standards of installment sales practice. From the NHA announcement we also quote:

"Because of necessary restrictions on the use of materials and credit, Title I will not be used widely until the critical material situation is eased.

"Maximum amount of repair loans has been fixed, as formerly, at $2,500 and maximum maturity at three years and 32 days. Loans for the conversion of existing properties to provide housing for war workers carry a maximum of $5,000, with a maturity of seven years and 32 days. Loans for new non-residential, non-agricultural structures, such as garages and commercial buildings, are limited to a maximum amount of $3,000, with a maturity of three years and 32 days. Loans for the erection of agricultural buildings, such as barns and silos, are limited to $3,000 with a seven-year and 32-day maturity, if made without the security of a first mortgage, although the term may be 15 years and 32 days if the loan is secured by a first mortgage.

"Discount rates remain the same, except in the case of Class 2 (b) loans, which provide for financing the erection of new structures for use in whole or in part for agricultural purposes, where the rate has been lowered from a $5 discount per $100 to a $3.50 discount per $100, provided security is taken in the form of a first mortgage. The rate for repair and modernization loans stays the same, namely, $5 per $100 original face value of a one-year note, payable in equal monthly installments, which still remains the lowest cost consumer credit ever made generally available."

Conclusions Of Bretton Woods Monetary Conf. To Be Summarized By Bankers' Committee

Views To Be Presented To Congress

Announcement was made at Philadelphia on July 8 by T. C. Swarts, President of the Pennsylvania Bankers Association and Executive Vice-President of the Woodlawn Trust Co. of Aliquippa, Pa., of the appointment of a Committee on International Monetary Exchange.

The Committee's tasks will be to "boil down to brass tacks" the conclusions reached by the United Nations Monetary Conference at Bretton Woods, N. H., and to assist in presenting "the considered views of Pennsylvania business and banking" regarding the conference to Congress "in the right way." This is learned from Philadelphia advices to the New York "Times," which reported Mr. Swarts as having told the Associations Council of Administration that F. Brian Reuter, Vice-President of the Union Trust Company of Pittsburgh, had accepted chairmanship of the committee, on which the banks of the State would have "proper" representation. From the "Times" advices we also quote:

In a statement to the Council, he said:

"We owe it to the patrons of our banks to know the essential principles of sound exchange and sound credit between the nations and to be prepared to express dependable opinions about them.

"We should be very observant of the details of the new program when it shall have been launched for acceptance by all nations. It is my belief that this Association can be quite helpful to Pennsylvania in this connection.

"By this plan we shall be afforded a means of assisting in having the considered views of Pennsylvania business and banking expressed to Congress in the right way, if and when a final plan is conceived in wisdom for upholding private enterprise in the United States."

The whole situation could be summed up in the statement that "we are ready to look a gift horse in the mouth," Mr. C. F. Zimmerman, Secretary of the Association, said. The committee will "boil down to brass tacks" the results of the Bretton Woods conference, he added.

The members of the new committee are:

F. Brian Reuter, Vice-President, Union Trust Co., Pittsburgh, chairman; C. A. Sienkiewicz, Vice-President and economist of Federal Reserve Bank of Philadelphia; Howard A. Loeb, Chairman of the Board, Tradesmen's National Bank and Trust Co., Philadelphia; Norman T. Hayes, Vice-President, Philadelphia National Bank; Archie D. Swift, President, Central Penn National Bank, Philadelphia; David E. Williams, President, Corn Exchange National Bank and Trust Co., Philadelphia; J. F. Aierstock, Conestoga National Bank, Lancaster; Dudley R. Atherton, Third National Bank and Trust Co., Scranton; Harry B. McDowell, President, McDowell National Bank, Sharon; Arthur E. Braun, Farmer's Deposit National Bank, Pittsburgh, and Frank F. Brooks, President, First National Bank, Pittsburgh.

To Defer Action Against Insurance Companies Until Congress And States Study Decision

Assurances that the Department of Justice has no intention of prosecuting cases against insurance companies under the recent decision of the United States Supreme Court until after Congress, the States and insurance companies have had opportunity to study the decision were given to the Senate Judiciary Committee at Washington on June 23, by Attorney General Biddle, according to Associated Press accounts that day, which added:

"In his statement, made public by the Committee, Mr. Biddle said the Department wanted to give the Federal Government and the States time to 'take such action as they might deem appropriate,' but after that period had elapsed it would consider bringing actions in equity rather than criminal procedures.

"Mr. Biddle conferred with the Committee after it had decided to postpone until after the Congressional recess action on a House-approved bill to exempt insurance companies from regulation under Federal anti-trust laws. The Supreme Court in the southeastern underwriters case held insurance was interstate commerce.

"The Attorney General told the Committee he believed that where the States actually fixed the rates, there could be no violation of law but that where they merely permitted rate bureaus to fix rates, they definitely came into conflict with the Federal law. 'It would be unfair,' he said, 'to send a man to jail for something he considered legal.'"

The Supreme Court decision was referred to in our issue of June 8, page 2383. In our July 6 issue, page 109, we noted the action of the House of Representatives in voting on June 22 to remove insurance companies from the applicability of the anti-trust laws.

NYSE Suspends Trade In Finnish Bonds

Pursuant to the announcement by the State Department of the severance of relations with the Government of Finland and following consultation with the Securities and Exchange Commission and the State and Treasury departments, Emil Schram, President of the New York Stock Exchange, announced on July 1 that by action of the Board of Governors of the Exchange taken at a special meeting before the opening of the market on that day the Republic of Finland 22-year 6% external loan sinking fund bonds due Sept. 1, 1945, and the City of Helsingfors 30-year 6½% sinking fund bonds due April 1, 1960, have until further notice, been suspended from dealings on the Exchange.

There were no transactions in these issues on June 30. said the announcement of the Exchange, which added that "this action corresponds to that previously taken by the Exchange in the case of securities of other Axis countries, including those issued by political sub-divisions and corporations of those countries."

Dr. Santos in UNRRA Post

The acceptance by Dr. Eduardo Santos, former President of Colombia, of the appointment as Deputy Director-General for liaison with the American republics members of the United Nations Relief and Rehabilitation Administration, was announced on July 8 by Director-General Herbert H. Lehman at a dinner in honor of Dr. Santos at Washington.

Roosevelt Announces Intention To Accept 4th Term Nomination

(Continued from first page)

officers have superior officers. The President is the Commander in Chief and he, too, has his superior officer—the people of the United States.

I would accept and serve, but I would not run, in the usual partisan, political sense. But if the people command me to continue in this office and in this war, I have as little right to withdraw as the soldier has to leave his post in the line.

At the same time; I think I have a right to say to you and to the delegates to the coming convention something which is personal—purely personal.

For myself, I do not want to run. By next Spring, I shall have been President and Commander in Chief of the armed forces for 12 years—three times elected by the people of this country under the American constitutional system.

From the personal point of view, I believe that our economic system is on a sounder, more human basis than it was at the time of my first inauguration.

It is perhaps unnecessary to say that I have thought only of the good of the American people. My principal objective, as you know, has been the protection of the rights and privileges and fortunes of what has been so well called the average of American citizens.

After many years of public service, therefore, my personal thoughts have turned to the day when I could return to civil life. All that is within me cries out to go back to my home on the Hudson River, to avoid public responsibilities, and to avoid also the publicity which in our democracy follows every step of the nation's Chief Executive.

Such would be my choice. But we of this generation chance to live in a day and hour when our nation has been attacked, and when its future existence and the future existence of our chosen method of government are at stake.

To win this war wholeheartedly, unequivocally and as quickly as we can is our task of the first importance. To win this war in such a way that there be no further world wars in the foreseeable future is our second objective. To provide occupations, and to provide a decent standard of living for our men in the armed forces after the war, and for all Americans, are the final objectives.

Therefore, reluctantly, but as a good soldier, I repeat that I will accept and serve in this office, if I am so ordered by the Commander in Chief of us all—the sovereign people of the United States.

Very sincerely yours,
FRANKLIN D. ROOSEVELT.

The following is the latter addressed to the President by Mr. Hannegan:

Dear Mr. President:

As Chairman of the Democratic National Committee, it is my duty on behalf of the committee to present for its consideration a temporary roll of the delegates for the national convention, which will convene in Chicago on July 19, 1944.

The national committee has received from the State officials of the Democratic party certification on the action of the State conventions, and the primaries in those States which select delegates in that manner.

Based upon these officials' certifications to the National Committee, I desire to report to you that more than a clear majority of the delegates to the national convention are legally bound by the action of their constituents to cast their ballots for your nomination as President of the United States. This action in the several States is a reflection of the wishes of the vast majority of the American people that you continue as President in this crucial period in the nation's history.

I feel, therefore, Mr. President, that it is my duty as Chairman of the Democratic National Committee to report to you the fact that the national convention will, during its deliberations in Chicago, tender to you the nomination of the party as it is the solemn belief of the rank and file of Democrats, as well as many other Americans, that the nation and the world need the continuation of your leadership.

In view of the foregoing, I would respectfully request that you send to the convention or otherwise convey to the people of the United States an expression that you will again respond to the call of the party and the people. I am confident that the people recognize the tremendous burdens of your office, but I am equally confident that they are determined that you must continue until the war is won and a firm basis for abiding peace among men is established.

Respectfully
Robert E. Hannegan.

Cotton Report As Of July 1, 1944

The Crop Reporting Board estimates the acreage of cotton in cultivation in the United States on July 1 at 20,472,000 acres, which is 1,470,000 acres, or 6.7% less than last year, and 7,717,000 acres less than the 10-year (1933-42) average. Assuming 10-year average abandonment an acreage of 20,081,000 acres is indicated for harvest in 1944.

Reduction in acreage from last year is indicated for all States except California, where acreage is increased 4%, and in Oklahoma, Illinois, and Kentucky where acreages were reduced to an unusually low level last year as the result of floods.

Of the important Cotton States, Georgia has the greatest percentage reduction with acreage 14% below last year. In Louisiana and Alabama acreages are reduced 9%. Texas, Arkansas, and Tennessee are down 7%, North Carolina 6%, Mississippi 5%, Missouri 4%, and South Carolina 3%. Plantings of short staple cotton increased in New Mexico and Arizona, but these increases were more than offset by reduction in acreage of American Egyptian cotton.

The total acreage planted to American Egyptian cotton is estimated at 14,000 acres, which is only 10% of the 141,700 acres planted last year. A negligible acreage is planted to Sea Island cotton this year.

The reductions in cotton acreage in 1944 are attributed partly to excessive and continued rainfall and low temperatures at seeding time, particularly in the southern part of the belt.

Also there were fewer laborers available for cotton chopping and harvesting which cut acreage as a whole or brought about a shift to crops requiring less hand labor. The reductions in cotton plantings appear to have been more pronounced on the larger farms, as many small farmers maintained or increased plantings except where the adverse weather prevented.

Eight Recommendations Made For Post-War Treatment Of Japan By Conference

Eight recommendations for the post-war treatment of Japan were made public in Princeton, N. J., on June 20 by 40 scholars in the field of international relations, who have been collaborating on a study of the problems of the Pacific area, it was made known in a special dispatch to the New York "Times" from Princeton, N. J., on June 20, which also had the following to say about the program:

The program represents the findings of a regional conference of the universities' committee on post-war international problems, of which Prof. Ralph Barton Perry of Harvard is chairman, held at Princeton University last Saturday and Sunday.

The findings of the conference include:

"Using as points of departure the principles of unconditional surrender and the total dissolution of the Japanese Empire, as provided by the Cairo communique, the conference agreed to the following:

"1. The terms of peace should, in general, be designed to discredit the militarist elements in Japan, to bring home to the Japanese people the fact of defeat, and to encourage the emergence of a policial regime willing to cooperate on friendly terms with other countries.

"2. Complete military defeat, effective disarmament pending the establishment of a general security system, and the elimination of colonies are necessary to prevent a recurrence of Japanese aggression.

"3. The chief guarantee of long-run security in the Pacific is to be found in a general security system and a strong China.

"4. The military occupation of Japan should be limited to the period and extent necessary to enforce the terms of surrender and should be international in character.

"5. To promote the economic development of China and to prevent economics chaos in Japan, it is essential that Japanese industrial productivity be maintained.

"6. If Japan is to be accepted in the community of nations on the basis of equality, political, social and economic reforms are necessary. These reforms cannot be imposed from without, but must develop from within. There is reason to believe that such developments are possible given appropriate encouragement by the victor nations.

"7. When these reforms have been realized and Japan has given satisfactory evidence of her intention to cooperate with other nations on peaceful terms, all discriminatory controls should be eliminated.

"8. Because of their importance in the field of military strategy and civil aviation, the future disposition of the Japanese-mandated islands is of concern both to the United States and to other nations. These islands should not be permanently allocated to the exclusive control of any one nation, but should be placed under international control."

Factory Workers' Hours And Earnings Announced

A shorter average work-week, coupled with a decline in employment, resulted in 15½ million fewer hours of manufacturing time in the mid-week of April as compared with the mid-week of March, Secretary of Labor Frances Perkins reported June 25. "The average number of hours worked per man per week in April declined to 45.0, reflecting observance of the Easter holiday," she said. Secretary Perkins also stated that "each of the durable-goods groups reported fewer manufacturing hours. In each case the drop in total hours reflected a drop in employment and in all but two cases it was coupled with a decline in the average work-week. A slightly longer work-week was reported in the transportation equipment and automobile groups. However, declines in employment in both of these groups were sufficient to reduce total manufacturing hours by more than a million and a half. The decline in total manufacturing time per week in the durable-goods group aggregated to almost 8 million hours." Miss Perkins further stated:

"The decline in total hours in the non-durable-goods group amounted to 7½ million hours per week and was the result of declines in each of the non-durable-goods groups. The largest declines among the non-durable-goods groups occurred in the apparel and textile groups which together reduced their manufacturing time by more than 4 million hours.

"Average weekly earnings for manufacturing as a whole amounted to $45.56 in April. The earnings in the durable-goods group amounted to $51.66, while the earnings in the non-durable-goods group averaged $36.17. While average hourly earnings in all the durable-goods groups increased between March and April, drops in the average work-week were sufficient to reduce average weekly earnings in all but three of them.

"In the anthracite mining, bituminous coal mining, and metal mining industries, the decline in average hours per week also reflects the observance of Easter. The relatively greater decline in the average work-week in the anthracite industry than in the others was due to the more widespread celebration of the holidays and to the fact that a large number of anthracite miners observed the Greek Orthodox Easter week-end which fell one week later than the usually observed holiday. Because of the drop of 3½ hours in the anthracite industry, weekly earnings were $4.31 lower in April than in March."

Letters To War Prisoners

Postmaster Albert Goldman announced on June 27 that the Post Office Department at Washington has received information from the Office of the Provost Marshall General, Prisoner of War Division, War Department, concerning changes which affect the instructions previously released regarding mail for Prisoners of War and Civilian Internees outside of the United States. The advices state:

"Japan requires letters to be typed or hand printed in block letters and to be not more than 24 words in length. The name and address of the prisoner of war and the name of the sender will not be counted in determining the number of words in the letter.

"The addresses on letters for United States prisoners of war and United States civilian internees, generally, should contain (1) rank (in the case of a prisoner from the armed forces) and complete name (including the middle initial or middle name), (2) prisoner of war or internee number (if known), (3) name of the armed forces with which a military individual was serving or nationality of a civilian internee, (4) the place of internment or camp number (when known), (5) country in which camp or place is located, and (6) the words 'Via New York, N. Y.'

"With regard to books for prisoners of war and civilian internees confined in enemy-occupied countries, only one package of books may be sent every 30 days from the same sender to the same prisoner of war.

"The German authorities restrict correspondence that may be received by Greek prisoners of war to letters or cards from persons who receive the required forms from the prisoner of war addressed."

From Washington Ahead Of The News

(Continued from first page)

soon as the need for war production in that particular industry ceases. The opposition cries that this is unfair, that some industries will get the jump on others. It is described, more or less loosely, as a fight between "big" and "little" business. The smaller firms naturally are the first ones to be released from war industry. As a rough and exaggerated example, Nelson feels that if some little fellow wants to undertake the manufacture of automobiles before General Motors, say, is released for civilian production, and the materials are available, he should be permitted to do so. It is Nelson's attitude that General Motors, released from war production a year hence, would have no trouble at all, in overtaking the little fellow.

It is not for your correspondent to go into the merits of a proposition such as this. But the question does arise as to how in the world, if there is to be this sort of bickering, our private enterprise entrepreneurs ever again hope to have the opportunity to do their stuff. It is symptomatic of our National attitude all during this war. One fellow or group is regimented and he immediately wants the other fellow or the other group regimented too.

We started off on the premise that if we drafted the boys we should draft the rest of the population. Back in World War I, we thought we were taking a revolutionary step when we went in for drafting the boys. This time, showing how far we had advanced, we gave not a second thought to that; we even drafted them before we got into the war.

There followed the agitation: "If you can draft the boys you can draft the wealth."

With industry drafted, we moved rapidly towards drafting labor, in an atmosphere of "if it's fair for one, it's fair for the other."

This attitude seems to be pronounced in the matter of reconversion. If it prevails it is going to make the problem of our getting out of the straitjacket far more serious. It occurs to us that our private enterprise entrepreneurs had better show some of that private enterprise genius now as they never have before. Instead of conniving with labor leaders to keep unneeded war plants in operation or to fight against one firm's being returned to civilian production before the others can be returned, they should, or so we think, be encouraging as fast shutting down of war production as is possible, regardless of the inconveniences to particular individuals.

Redeem Guatemala Bonds

Holders of Republic of Guatemala, Debt of 1927, 8% bonds due May 1, 1948, are being notified that the Schroder Trust Company, as successor financial agent, has received funds to redeeem all of these bonds outstanding at par and full payment of all interest arrears, together with accrued interest from May 1, 1944 to June 30, 1944. Total principal and interest payment will amount to $1,453.33 per $1,000 bond. Redemption will be made at the trust department of the bank, 48 Wall Street, New York 5.

North Pacific And Eastern Asia Main Area Of Post-War Development Wallace Declares

(Continued from first page)

piloting of Colonel Knight and Lieutenant Golkowske, the navigation by Captain Wagner, and the cheerful, efficient work of the rest of the crew made it possible to travel on schedule in spite of some bad weather.

"Captain Knowles very kindly pinch-hit as a secretary. Sergeant Robitaille had much to do with making our trip one which I will remember pleasantly. We traveled 23,000 interesting miles."

An item bearing on the Vice-President's visit to China and Siberia appeared in our July 6 issue, page 107.

The address delivered by Vice-President Wallace in Seattle, as reported by the United Press, follows:

Text of Mr. Wallace's Address

Since I left the skies above America seven weeks ago, I have visited two great countries—Soviet Asia and China. I have not stood upon the threshold of these countries like a stranger. I have been honored with the confidence of those who are working to shape their countries' destinies. I have been privileged to look behind the scenes.

Today I want to tell you something of my experiences of the past weeks.

In the first place, I am today more than ever an American. The more I examine other countries, the more convinced I am that the American way of life is the best way for us. In the second place, we can and should fit our own way of life to cooperation with other nations and other peoples whose way of life is different from ours, but who need our cooperation quite as much as we need theirs, and are not only willing but eager to cooperate with us.

In the third place, I am convinced that a main area of new development after this war—new enterprise, new investment, new trade, new accomplishments—will be in the new world of the North Pacific and eastern Asia.

This will give to our Pacific Coast an importance greater than it has ever had before, and I am glad, returning from Soviet Asia and China, that Seattle is my port of entry. No city is more American in spirit and action than Seattle. But no city has shown itself more alive to the importance of our relations with other areas of the North Pacific. This spirit is well exemplified, not only in your active peace-time trade with Asia, but also in the University of Washington, where for several years you have worked on integrating the study of the languages, cultures, history, politics and economics of the Pacific.

We shall need all our resources of knowledge and all our American readiness to think out new ways of tackling new problems when we have won the war in the Pacific.

The day will come when the Pacific will be cleared of Japs and our boys, coming home from Tokyo, will land at Seattle, Portland, San Francisco and Los Angeles. Then we shall think more and more of our West as a link with the east of Asia.

Those who say that east is east and west is west and that the two shall never meet are wrong. The east of Asia, both Chinese and Russian is on the move in a way which is easy for any American to understand who sees these great areas at first hand for himself.

The rapid agricultural and industrial development of this great area means so much to the peace and prosperity of the post-war world that I am glad on my return to America to give my impressions of the manifest destiny of the West of American and the East of Asia.

Here in the Northwest United States we were long held back by unfair freight rates and by failure to develop the power inherent in the great rivers. But more and more we are perceiving the importance of strengthening our West and especially our Northwest. Thanks to men like Norris, McNary, Bone and Roosevelt, the Northwest during the last ten years has rapidly expanded. This expansion must continue to the limit of its agricultural, industrial and commercial potentialities. This includes Alaska, which has not yet begun to measure up to its possibilities. Our growth must be not merely in terms of ourselves, but also in terms of Asia. Vigorous two-way trade with Soviet Asia and China will greatly increase the population and prosperity of our Northwest.

All of this I knew in a theoretical way before going to Asia. After having seen as much of the industry and agriculture of east Asia as any American has seen in such a short time, I am more than ever convinced that we are entering upon what might be called the "era of the Pacific."

One characteristic of the Pacific era will be the building of great airports in parts of the world now very thinly inhabited. The extent to which the Russians have already developed runways and servicing for airplanes in east Asia amazed me. We landed at perhaps a dozen airports in Soviet Asia, the names of which not one in a thousand Americans ever heard.

It is quite possible that for 15 or 20 years after this war the air route to Asia via Fairbanks, Alaska, will not be a money-making one. But it is also certain that our national future requires that we, in cooperation with Russia and the Chinese, maintain such a route.

Soviet Asia during the last 15 years has more than doubled in population. It is quite possible that the next 50 years will see a further increase of more than 30 million people. I am convinced from what I saw of the Amur River region that in the southern part of that area there will be a great increase in population. Russia, as a result of her experience with this war, will certainly shift much of her industry east of the Urals. Most of the people who moved to Siberia with their factories will stay there.

Everywhere from Magadan on the Pacific Ocean to Tashkent, central Asia, I found the Russian people producing to the limit in the factory and on the farm. About two-thirds of the work on farms and one-third of the work in the factories is being done by women.

In the factories everywhere I found American machinery, some purchased before the war, but most of it obtained under lend-lease. The way in which American industry through lend-lease has helped Russia to expand production in Soviet Asia has given me an increased admiration for both the United States and Russia.

I found American flour in the Soviet Far East, American aluminum in Soviet airplane factories, American steel in truck and railway repair shops, American machine tools in shipbuilding yards, American compressors and electrical equipment on Soviet naval vessels, American electric shovels in open-cut coal mines, American core drills in copper mines of Central Asia and American trucks and planes performing strategic transportation functions in supplying remote bases.

I found the people, both in positions of management and at the work benches, appreciative of the aid rendered by the United States and other allies.

While it is misleading to make any comparison between the huge Soviet industrial effort and the amount of lend-lease aid we have been able to give the USSR, I am convinced by what I saw in Siberia and Central Asia that lend-lease has helped the Russians in many difficult and even critical situations on the industrial front, as well as on the military front.

On the rich irrigated land of Central Asia a strong cotton industry is being rapidly developed. At Tashkent, a city of a million people, I found experimental work in cotton which for its originality and practical effectiveness compares most favorably with the best in the United States. Modern industry was also flourishing at this ancient seat of Eastern culture.

From Tashkent, my farthest point west, we turned east to Alma Ata, my last stop before entering China. There I found not only excellent scientific work with apples but also the beginnings of a moving picture industry which may make Alma Ata the Hollywood of central Asia. Located at the foot of the Tien Shan—Heavenly Mountains—the city is blessed with a superb climate—almost as good as that of southern California.

China is totally different from Soviet Asia. While she is eager and anxious to enter the machine age, she has not yet been able to turn out, in either modern war materials or heavy goods, more than a small fraction of her needs. This situation should not long continue.

China, with her 450,000,000 people and her great resources, should sooner or later produce a large portion of her requirements in the way of heavy and light industrial goods and also consumer goods. But to modernize her industry and train her people China needs help. We have thousands of technical and business men in the United States who are able to furnish that help. But the business men in particular want to be sure of one thing. They want to be certain, before they lay the foundations and make the necessary outlay, that there is no foreseeable likelihood of conflict within China or between China and the U. S. S. R.

I am glad to say that I found among those with whom I talked an outspoken desire for good understanding, and personally I am convinced that China and the U. S. S. R. will take the necessary steps to insure continuing peace and to promote cultural and commercial exchanges among the nations of the Pacific to the benefit of all.

Asia is the center of the greatest land and population masses of the world. It is our business to be friends with both Russia and China and exchange with both Russia and China the goods and information which will raise the standard of living of all our peoples.

I found the leaders in both Soviet Asia and China anxious for the most friendly relationship with the United States and expressing the utmost confidence in the leadership of President Roosevelt. Living standards can be raised. Causes of war can be removed. Failure to concern ourselves with problems of this sort after World War I is costing us today hundreds of billions of dollars and a terrible toll of human life.

To avoid a recurrence of the scourge of war it is essential, in so far as the Pacific basin is concerned, that relations among the four principal Powers in the Pacific—China, the Soviet Union, the British Commonwealth and the United States—be cordial and collaborative.

Post-war stability in China is dependent upon economic reconstruction—agricultural as well as industrial—and reconstruction in China is dependent upon trade. It became clear to me during my visit to China that reconstruction is going to depend in large measure on imports from abroad. It will require technical and material assistance from us given on a businesslike basis.

We hear much about industrial reconstruction in China. I found the Chinese anxious for industrialization. China should be industrialized, but any industrialization of China must be based upon agricultural reconstruction — agrarian reform—because China is predominately a nation of farmers. They are good farmers, as I observed during my stay there, but they need a break—a new deal.

China should make the necessary reform, but we can help by furnishing technicians and scientific information and, on the trade level, by selling the Chinese agricultural implements, fertilizers and insecticides. Ultimately, of course, China should make these products for herself.

China should be self-sufficient in foods, but I can foresee that for many years the Chinese will continue to import food products from our West—wheat, flour and fruits, for instance. In fact, it is not unreasonable to anticipate that, with an increase in the standard of living of China's consumers, a healthy exchange of food products peculiar to China and our West will develop and endure. Northwest lumber should play an important part in the China of the future as it has in the China of the past.

The industrialization of China will require machines, and the materials of which machines are made. During recent years our West has been developing facilities for the production of steel and machinery. These will be in demand in China to produce the consumer goods which will be needed by the masses of East Asia.

Machines for land, sea and air transportation will also be needed. Our West is in a particularly strategic position to produce for the east of Asia airships and sea ships, and the timber, steel and aluminum of which they are made.

Trade is not a one-way affair—it is a swap, sometimes direct and sometimes complicated. It seems evident that credits will have to be employed to finance economic development in east Asia. But those credits must be repaid, and the most satisfactory way to repay is with goods. So, speaking particularly of China, we should plan to buy as well as to sell. Such typical commodities as wood oil, silks, tea, hides, and metals, which formed the bulk of China's exports to us before the war, should form the basis of an expanding Chinese export to the United States after the war.

There is a great future for trade between east Asia and ourselves. To bring this to pass will take only a sympathetic understanding of each other's conditions and a far-sighted determination to make trade what it should be—a mutually beneficial transaction.

Day after tomorrow I hope to report to President Roosevelt certain definite facts which I am not at liberty to discuss here. But I can say that everywhere I went in eastern Asia I found rapid changes. Even in Mongolia, one of the most remote regions of the world, I found that the changes of the past 20 years had been very great. The United States, together with Russia and Great Britain, has a profound interest in the rapid, peaceful change of eastern Asia to the more fruitful use of her vast natural and human resources.

Here is a great new frontier to which Seattle can furnish much in the way of leadership. Our scientists must cooperate with Russian and Canadian scientists in learning how to lick the problem of the permanently frozen ground of Alaska, Canada and the north of Siberia. We must exchange agricultural and weather information. I have found a splendid disposition on the part of Russian scientists to cooperate in agricultural matters and a frank readiness on the part of Chinese administrators to consider America's position as well as China's in discussing future economic cooperation. This gives me great hope for the long future.

The American business man of tomorrow should have a broad world outlook. I have faith that American economic leadership will confer on the Pacific region a great material benefit and on the world a great blessing. The new frontier extends from Minneapolis via the coast States and Alaska through Siberia and China all the way to central Asia. Here are vast resources of minerals and man-power to be developed by democratic, peaceful methods—the methods not of exploitation, but on the contrary, the more profitable method of creating higher living standards for hundreds of millions of people.

It was a wonderful trip. I am grateful to the President for giving me an opportunity to talk with people in every walk of life in Asia who are aiding us in winning this war. With victory we can continue to work together in peace. We want a higher standard of living in America. We want full production, jobs for our boys who come home, and peace-time jobs for those who are now employed. Trade with Russia and China will help keep the factories of America busy in the days that lie ahead. We are on our way.

Latest Summary Of Copper Statistics

The Copper Institute on July 11 released the following statistics pertaining to production, deliveries and stocks of duty-free copper:

SUMMARY OF COPPER STATISTICS REPORTED BY MEMBERS OF THE COPPER INSTITUTE
(In Tons of 2,000 Pounds)

U. S. Duty Free Copper	Production *Crude	Production Refined	Deliveries to Customers †Domestic	Deliveries to Customers Export	‡Refined Stocks End of Period	Stock Increase (+) or Decreases (—) Blister	Stock Increase (+) or Decreases (—) Refined
Year 1939	836,074	818,289	814,407	134,152	159,485	+17,785	—130,270
Year 1940	992,293	1,033,710	1,001,886	48,537	142,772	—41,417	— 16,713
Year 1941	1,016,996	1,065,667	1,545,541	307	75,564	—48,671	— 67,208
Year 1942	1,152,344	1,135,708	1,635,235	----	65,309	+16,636	— 10,255
Year 1943	1,194,699	1,206,871	1,643,677	----	52,121	—12,172	— 13,188
6 Mos. 1944	568,355	566,845	844,917	----	42,467	+ 1,510	— 9,654
July, 1943	100,456	105,589	129,631	----	55,097	— 5,133	— 610
Aug., 1943	97,413	100,077	147,135	----	53,726	— 2,664	— 1,371
Sep., 1943	98,867	98,323	141,111	----	45,844	+ 534	— 7,882
Oct., 1943	102,589	97,274	129,212	----	47,148	+ 5,315	+ 1,304
Nov., 1943	99,340	102,136	138,881	----	52,027	— 2,796	+ 4,879
Dec., 1943	98,568	104,644	115,850	----	52,121	— 6,076	+ 94
Jan., 1944	95,424	92,781	101,779	----	45,800	+ 2,643	— 6,321
Feb., 1944	95,713	87,128	124,532	----	36,489	+ 8,585	— 9,311
Mar., 1944	101,289	99,118	156,083	----	37,259	+ 2,171	+ 770
Apr., 1944	92,779	95,280	155,877	----	38,282	— 2,501	+ 1,123
§May, 1944	94,624	98,580	165,714	----	37,074	— 3,956	— 1,208
June, 1944	88,526	93,958	140,932	----	42,467	— 5,432	+ 5,393

*Mine or smelter production or shipments, and custom intake including scrap.

†Beginning March, 1941, includes deliveries of duty paid foreign copper for domestic consumption.

‡At refineries, on consignment and in exchange warehouses, but not including consumers' stocks at their plants or warehouses.

§Corrected figures.

U. S. Severs Relations With Finland — Finnish Diplomats Leave U. S. On State Department Order

A break in the relations between the Governments of the United States and Finland was revealed on June 30 by Secretary of State Hull, when he made public the text of a note addressed to the Finnish Charge d'Affaires, Alexander Thesleff, the only remaining Helsinki representative in the United States—on the severance of the relations. In his note Secretary Hull makes the statement that the Finnish Government has "formally admitted to the world that it has now entered a hard and fast military partnership with Nazi Germany irrevocable throughout the war, for the purpose of fighting the Allies of the United States, in alliance with the enemies of the United States. It is also stated in the note that "notwithstanding the esteem in which the American people have held the people of Finland, further relations between the Government of the United States and the Government of Finland are now impossible." The note further indicates that the American Charge d'Affaires in Helsinki has been instructed to request passports for his staff and their families.

This action came as an aftermath of developments several weeks ago, when, because of activities, termed by the State Department as "inimical to the interests of the United States," Finnish Minister Hjalmar J. Procope was held to his home under police guard on June 17 with virtual orders to leave the country as soon as possible. Later on June 21, the State Department disclosed that Minister Procope was on his way home as were also the two legation counselors.

Mr. Procope's wife, who is in ill health, remained behind with their children.

The State Department's announcement on June 21 on the departure of the Minister said:

"The Department of State has completed arrangements for the departure from the United States of Hjalmar J. Procope, lately Minister of Finland, and of Messieurs Vahervuori and Solanko, lately counselors of the Finnish Legation, with the families of the latter two officers.

"The Department has been informed by Mr. Procope that it is his desire to proceed unaccompanied by his family. . . .

"The Department has received a request from Mr. Urho Toivola, lately a counselor of the Finnish Legation who has been expected to depart from the United States with Mr. Procope and Messieurs Vahervuori and Solanko that he be permitted to remain in this country owing to the serious illness of Mme. Toivola. This request has been granted."

Secretary Hull's note of June 30 to the Finnish Charge d'Affaires, as given in the New York "Times" of July 1, follows:

June 30, 1944.

Sir:

On June 27, 1944, the Finnish Government made the following announcement:

"The German Foreign Minister [Joachim] von Ribbentrop has concluded his visit to the Finnish Government.

"During this visit questions of interest to Finland and Germany were discussed, especially Finland's expressed desire with respect to military aid. The German Government has declared itself prepared to comply with this wish of the Finnish Government.

"The discussions which were conducted between the President of the Finnish Republic [Risto] Ryti and Foreign Minister [Henrik] Ramsay on one side and the German Foreign Minister on the other, are sustained by the spirit which has its roots in the comradeship in arms between the armies and the existing friendship between the two peoples.

"Complete agreement and understanding were reached on all points between the Finnish Government and the German Government."

The Finnish Government has thus formally admitted to the world that it has now entered a hard and fast military partnership with Nazi Germany irrevocable throughout the war, for the purpose of fighting the Allies of the United States, in alliance with the enemies of the United States. This action was taken without recourse to the established democratic procedure of Finland, and responsibility for the consequences must rest solely on the Finnish Government.

The American Government is not unaware of the fact that the infiltration of German troops into Finland, with the consent of the Finnish Government and German infiltration into the councils of the Finnish Government have deprived Finland of liberty of action and reduced the Government of the Republic of Finland to the condition of a puppet of Nazi Germany.

This necessarily changes the status of the Finnish Government. The United States, up to the present, has taken every opportunity, publicly and through diplomatic representations, to warn the Finnish Government of the inevitable consequences of continuing its association with Nazi Germany. These warnings have been ignored, and the partnership is now complete.

The Government of the United States must take into account the fact that at this decisive stage in the combined operations of the military, naval and air forces of the United States and the other United Nations, the Finnish operations have a direct bearing on the success of the Allied effort.

Notwithstanding the esteem in which the American people have held the people of Finland, further relations between the Government of the United States and the Government of Finland are now impossible.

The American charge d'affaires in Helsinki has therefore been instructed to request passports for himself and for the members of his staff and their families.

The American Government is requesting the Swiss Government to assume immediately the representation of American interests in Finland.

Accept, Sir, the renewed assurances of my high considerations.

CORDELL HULL.

Associated Press dispatches from Washington, on June 27, had the following to say regarding the Finnish Minister:

The ban was imposed late yesterday on Procope—Finland's representative in Washington during several critical years, when he was called to the State Department, handed his passport and requested to go home as soon as transportation could be arranged.

The unprecedented action which did not involve an actual diplomatic break with Finland, extended also to three counselors of the Finnish legation and to the families of all four diplomats.

The action, regardless of the incident which caused it, brought American - Finnish relations to their lowest point. It apparently increased the probability of a complete break with Finland, although the United States Government has thus far avoided that final rupture in every crisis. It has, however, accused Finland of playing the German game to the detriment of the United States and its allies and only two weeks ago put 84 Finnish business concerns, many of which represented high political interests, on the blacklist.

Only two days before this latest development of Allied pressure, the Finns had paid the regular $148,445.06 annual installment on a World War I debt to this government, maintaining their record as the only people still paying on such obligations. The balance of the debt is about $9,000,000.

The nature of the "inimical" activities was not disclosed and officials flatly declined to discuss the ground for the accusation.

Ever since Finland became involved in war with Russia and Great Britain three years ago, Minister Procope and legation aids have been forbidden by the State Department to engage in propaganda activities on behalf of their country. They have been free to answer questions put to them by reporters, but could not initiate statements on their own.

Since the Finnish legation remains open, Finland's top diplomat here now is Alexander Tresleff, the legation's secretary. This corresponds to the level of representation maintained by the United States in Helsinki where the legation is in charge of Edmund Gullion, a foreign service officer with the rank of secretary.

The three counselors of legation who were included with Mr. Procope in the request to leave the country were T. O. Vahervuori, Urho Toivola and Risto Solanko.

Associated Press dispatches from Washington on June 19 stated:

United States foreign policy was discussed in both Houses of Congress today as Secretary of State Hull declined to disclose the specific matters which led him to hand Hjalmar J. Procope, the Finnish Minister, his passport last week.

Asserting that a specific answer to questions about the Minister's dismissal would be harmful to the conduct of the war, the Secretary added at his press conference that we must always keep in mind that the pro-Nazi Finnish Government is actively fighting on the side of Germany and has adjusted Finnish policy and actions to suit the aim of the German Government.

The activities of the dismissed Finnish diplomats, Mr. Hull declared, must be viewed in that light.

Limiting Federal Taxes To 25% Opposed By Treasury In Memorandum

The Treasury Department has prepared a memorandum opposing the proposal for an amendment to the Constitution to limit tax rates not to exceed 25%, it is learned from advices to the New York "Journal of Commerce" from its Washington bureau July 2, according to which the Treasury contends that a ceiling or any comparable limitation upon the Federal Government's ability to obtain revenue through income taxation would weaken post-war markets for business products and by establishing "regressive" taxation prevent the Government from removing discrimination against risk capital. In the view of the Treasury such tax legislation written into the Constitution would dangerously weaken the adaptability of the Federal Government to changing circumstances and emergencies, and would weaken Federal credit, thereby also impairing State and local credit. The advices to the "Journal of Commerce" in the matter further state:

A number of State Legislatures variously listed at 14 to 17, have passed resolutions calling upon Congress to initiate an amendment to the Constitution limiting the Federal tax powers. The proposed amendment consists of a clause repealing the Sixteenth Amendment (income tax); a clause reinstating that amendment with a proviso that "in no case shall the maximum rate of tax exceed 25%"; and a clause applying similar limitation to taxes on estates and gifts. Some, but not all, of the resolutions provide that in time of war this ceiling might be lifted by a three-fourths vote of both Houses of Congress.

Literature of the sponsors for the proposed amendment states that it is aimed "to deprive the Federal Government of the power through unsound and confiscatory taxation to destroy the American private enterprise system" and "to deprive the Federal Government of the power through taxation to destroy the American system of Government by concentrating all power in Washington and rendering the States completely subservient to it."

The Treasury, in its statement opposing the purpose of the amendment, lists six key issues involved:

1. How much leeway is there likely to be for Federal tax adjustments reducing the revenue yield after the war, and how much of this slack would be taken up by adopting the limitation proposal?

2. How far could revenue losses be recouped by tax adjustments not barred by the proposal?

3. What would be the combined etffect of these tax adjustments upon business incentives; upon business activity and employment, and upon the fairness with which the tax burden is shared?

4. How would these Federal tax adjustments affect the revenue sources of State and local governments? The use of Federal grants-in-aid?

5. Is such a limitation of the taxing power consistent with a policy of reducing the national debt? With maintaining the unquestioned credit standing of the Federal Government? With maintaining the credit standing of State and local governments?

6. Is it wise to freeze any specific figure into constitutional law?

In consideration of these issues, the Treasury offers these conclusions. The proposed "Twenty-second Amendment," indorsed by a number of State Legislatures, would preclude peacetime rates of income and death taxes above the levels of the 1920s, it points out.

If post-war tax adjustments were limited to repeal of the excess profits tax, excise reductions scheduled under the Revenue Act of 1943, and the reductions of upper bracket income tax and death tax rates which would be required by the proposed limitation, it would probably be impossible to bring about any excess of revenue for expenditures, applicable to reduction of the national debt, even in years of high prosperity.

Restoring some progression by pushing the initial rate (now 23%) appreciably below the 25% maximum would involve further loss of revenue. Excise tax revenue might have to be expanded. Adjustments to income and business taxes to improve their incentive effects would probably have to be abandoned. Taxes would become both less progressive and less sensitive to incentive considerations. Under the progressive system of personal income taxation if the 23% bracket had to be substantially reduced to come under the 25% ceiling, it is pointed out that this would mean a very considerable loss in revenue from this and the other brackets.

The 25% limitation would involve other adjustments that would handicap business; it is very doubtful that reductions in individual income tax and even more doubtful that reductions in death taxes would provide incentives sufficient to offset these deterrents.

While State and local revenue opportunities in the income tax and death tax fields would be improved by such a limitation, the intensified pressure for Federal revenue in other fields would deal a virtual death blow to efforts to coordinate Federal, State and local tax systems. The limitation would also handicap States by creating a barrier to Federal grant-in-aid.

To leave the Federal Government with no reserve of unused taxing power (as the proposed limitation would do) would weaken Federal credit. This would impair State and local credit. Writing tax legislation into the Constitution would dangerously reduce the adaptability of the Federal Government to changing circumstances and emergencies, the Treasury concludes.

Replying to the charges that the Federal Government through its unlimited power of taxation endangers the nation, the statement adds: "The 'power to destroy' of which advocates of the proposed limitation complain cannot well be separated from effective government. A government whose powers were so limited that their misuse could do no damage would be a government so weak as to be useless, which is a worse danger. Moreover, the democratic processes of government give the best assurance that governmental power will not be used against the public interest."

Scroll to Chungking From President Roosevelt Lauds China's Courage

It was made known by President Roosevelt on July 1 that one of the commissions assigned to Vice-President Henry A. Wallace on his visit to China was the presentation of a scroll sent the City of Chungking from the President "in recognition of the great contribution which the Chinese people * * * have made to the war efforts of the United Nations." Both the scroll and a letter bearing thereon were presented by Mr. Wallace on June 23 to Generalissimo Chiang Kai-shek. In his letter the President said:

"Among the greatest inspirations of this war to the American fighting spirit has been the vivid memory of the great courage which the men, women and children of the City of Chungking have displayed during the long period of siege and repeated attacks. By their fortitude and endurance the citizens of Chungking have won a place in the heart of every American.

"In recognition of the great contribution which the Chinese people, and particularly the citizens of Chungking, have made to the war efforts of the United Nations, I now send to you the enclosed scroll. The stand which your people have made against the forces of aggression has set an example for all the friends of China, and I hope that you may see fit, in presenting this scroll to the citizens of Chungking, to convey my expressions of the very real friendship which I feel exists between our two nations and which will contribute in no small measure to an earlier victory."

The text of the scroll follows:

"In the name of the people of the United States of America, I present this scroll to the City of Chungking as a symbol of our admiration for its brave men, women and children.

"Under blasts of terror from the air, even in the days before the world at large had known this horror, Chungking and its people held out firm and unconquered. They proved gloriously that terrorism cannot destroy the spirit of a people determined to be free. Their fidelity to the cause of freedom will inspire the hearts of all future generations."

Acknowledgement of the scroll was made as follows by the Generalissimo:

"Representing the people of Chungking, I accept this scroll as a priceless symbol which they will hold forever in gratitude and reverence."

Changes In Holdings Of Reacquired Stock Of N. Y. Stock & Curb Listed Firms

The New York Stock Exchange issued on June 16 the following tabulation of companies reporting changes in the amount of stock held as heretofore reported by the Department of Stock List:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report	
Air Reduction Company, capital	23,519	23,915	
Allied Stores Corporation, 5% preferred	13,912	15,012	
American Locomotive Company, 7% cum. preferred	12,900	10,400	(1)
Associates Investment Company, common	44,806	45,076	
Associates Investment Company, 5% cum. preferred	1,899	1,969	
Atlantic Gulf and West Indies Steamship Lines, pfd.	None	1,800	
Atlas Corporation, preferred	1	2	
Atlas Corporation, common	38,122	59,179	(2)
Barnsdall Oil Company, common	35,724	36,424	
Borden Company, The, capital	125,758	134,658	
Bucyrus-Erie Company, preferred	12,838	13,838	
Burlington Mills Corporation, common	10,166	15,966	
Chicago Pneumatic Tool Company, prior preferred	7,311	7,411	
Copperweld Steel Company, cum. conv. preferred	9,609	10,079	
Crucible Steel Company of America, 5% conv. pfd.	1,200	1,600	
Cuban American Sugar Company, preferred	11,283	5,460	
Davega Stores Corporation, common	17,550	18,050	
Electric Boat Company, capital	79,375	81,775	
Engineers Public Service Company, Inc., $5 divd. pfd.	None	None	(3)
Engineers Public Service Co., Inc., $5.50 cum. div. pfd.	None	None	(4)
Franklin Simon & Co., Inc., 7% cum. preferred	None	410	
General Motors Corporation, common	892,712	899,012	
Gimbel Brothers, Inc., $6 cum. preferred	9,811	12,011	
Hat Corporation of America, preferred	3,260	3,330	
Jewel Tea Co., Inc., common	2,434	2,429	
Lehman Corporation, The, common	33,500	35,300	
Madison Square Garden Corporation, capital	36,100	36,400	
McGraw-Hill Publishing Company, Inc., common	12,110	20,610	
National Cylinder Gas Company, common	292	2,508	
National Department Stores Corporation, 6% preferred	10,458	12,673	
National Steel Corporation, capital	1,680	180	
Newport News Shipbuilding and Dry Dock Co.— $5 cumlative convertible preferred	29,900	31,100	
Plymouth Oil Company, capital	15,584	16,184	
Pullman Incorporated, capital	89,400	73,000	
Radio-Keith-Orpheum Corporation, 6% preferred	9,690	3,220	(5)
Reliabile Stores Corporation, common	52,011	52,018	
Reynolds Spring Company, common	7,132	13,032	
Schenley Distillers Corporation, 5½% cum. pfd.	7,835	8,035	
Shaeffer (W. A.) Pen Co., common	2,647	2,652	
Sinclair Oil Corporation, common	1,104,119	1,104,122	
Sterling Drug Co., capital	4,334	6,334	
Twentieth Century-Fox Film Corporation, preferred	57,331	57,831	
The United States Leather Company, prior pref.	7,072	7,142	
Universal Laboratories, Inc., preferred	6,524	6,650	
White (S. S.) Dental Manufacturing Co., The, capital	1,422	1,382	
Willys-Overland Motors, Inc., 6% cum. conv. pfd.	105,995	None	(6)

NOTES

(1) Acquired 2,200; cancelled 4.700.
(2) Acquired during April and May.
(3) Acquired and retired 3,840 shares.
(4) Acquired and retired 2,255 shares.
(5) Acquired 570; cancelled 7,040.
(6) Acquired 1,600; cancelled 107,595.

The New York Curb Exchange has made available the following list of issuers of fully listed securities which have reported changes in their holdings of reacquired stock:

Company and Class of Stock—	Shares Previously Reported	Shares Per Latest Report
American General Corp., common	385,444	385,447
American Writing Paper Corp., common	46,962	49,562
Carman & Co., Inc., class A	290	305
Crown Central Petroleum Corp., common	597	598
Equity Corporation, $3 convertible preferred	55,398	55,598
Esquire, Inc., capital	39,663	41,163
Gilbert (The A. C.) Co., preference	3,360	3,780
Klein (D. Emil) Co., Inc., common	19,369	20,269
Kleinert (I. B.) Rubber Co., common	27,028	27,337
Lane Bryant, Inc., 7% preferred	30	138
Merritt-Chapman & Scott Corp., 6½% "A" preferred	1,280	1,430
Mid-West Abrasive Co., common	664	764
New York Merchandise Co., Inc., common	125,882	127,782
Ogden Corp., common	447	449
Pantepec Oil Co. of Venezuela, C. A., common capital	93,128	103,128
Root Petroleum Co., $1.20 convertible pref.	6,713	6,717
Selected Industries, Inc., $5.50 div. pr. stock	750	800
Trunz, Inc., common	19,164	19,374
United Cigar-Whelan Stores Corp., common	12,238	12,243
United Profit-Sharing Corp., 10% preferred	1,250	1,299
Utility Equities Corp., $5.50 div. pr. stock	11,725	11,850

Living Costs In Large Cities Up 0.4% From April 15-May 15, Labor Dept. Reports

"Retail prices to wage earners and lower-salaried workers in large cities rose 0.4% between mid-April and mid-May," Secretary of Labor Frances Perkins reported on June 16. "The increase was largely due to seasonal advances for food and higher housefurnishings prices," she said. "Clothing costs and charges for services also rose slightly.

"The all-items index stood at 123% of the 1935-39 average on May 15, 0.1% below last May." Miss Perkins continued:

"Retail food costs increased 0.7% over April, primarily because of seasonal increases in prices for roasting chickens, oranges, potatoes, and some other fresh vegetables. Prices for flour, corn meal, and rolled oats were higher. Fresh fish, eggs, beef and pork declined due to large supplies.

"Food supplies generally are more plentiful than last spring and the increase in the amount of food available for the civilian population, combined with the rollbacks and subsidies introduced last summer, has brought the index of retail food costs 5% below the level of May, 1943." The Secretary of Labor also said:

"The further increase in housefurnishings costs reflected largely the return of spring-filled living room suites in additional cities at prices considerably higher than those charged a year and a half ago, when furniture of this kind was last available. Low-priced merchandise continued to be short and, as in the case of cook stoves in four cities, it was necessary for families to buy higher-cost models.

"Telephone bills for May included an excise tax which raised the cost of telephone service by 4.6%. Scattered increases in beauty shop charges were attributed to increased costs of supplies. Newspaper prices were raised in three cities because of higher production costs and limited paper stocks, which decreased advertising revenue.

"Clothing costs advanced slightly because of scattered increases in prices for lightweight overalls, covert work trousers, and cotton socks, and the fact that new straw hats were higher priced. Women's girdles cost more because of the disappearance of low-cost qualities in some cities, and in few cities the rayon hose available were largely those with premium features, also at higher prices.

"Fuel, electricity and ice costs declined, on the average, by 0.1% between April 15 and May 15. The usual seasonal decrease in gas rates went into effect in New York. In Philadelphia a temporary OPA order allowing higher anthracite and coke prices was discontinued April 30, and lower prices under previous regulations were established. Increased retail prices for anthracite and Eastern bituminous coals in Milwaukee and Minneapolis reflected increases in f.o.b. mine prices allowed several months ago.

"Rents are not surveyed in May. Next month's report will give changes that have occurred over the quarter ending June 15."

Note—The BLS index indicates average changes in retail prices of selected goods, rents and services bought by families of wage earners and lower-salaried workers in large cities. The items covered represented 70% of the expenditures of families who had incomes ranging from $1,250 to $2,000 in 1934-36.

The index does not show the full wartime effect on the cost of living of such factors as lowered quality, disappearance of low-priced goods and forced changes in housing and eating away from home.

It does not measure changes in **total** "living costs"—that is, **in the total amount families spend for living.** Income taxes and bond subscriptions are not included.

COST OF LIVING IN LARGE CITIES
Indexes, 1935-39=100*

Date—	All items	Food	Clothing	Rent	Fuel electricity and ice	House-furnishings	Miscellaneous
1939: Aug. 15	98.6	93.5	100.3	104.3	97.5	100.6	100.4
1941: Jan. 15	100.8	97.8	100.7	105.0	100.8	100.1	101.9
1942: May 15	116.0	121.6	126.2	109.9	104.9	122.2	110.9
Sep. 15	117.8	126.6	125.8	108.0	106.2	123.6	111.4
1943: May 15	125.1	143.0	127.9	108.0	107.6	125.1	115.3
1944: Apr. 15	124.5	134.6	136.9	†	109.9	133.0	120.7
May 15	125.0	135.5	137.0	†	109.8	134.5	121.0

PERCENT OF CHANGE

Date—	All items	Food	Clothing	‡Rent	Fuel, electr. and ice	House furnishings	Miscellaneous
April 15, 1944 to May 15, 1944	+ 0.4	+ 0.7	+ 0.1	†	— 0.1	+ 1.1	+ 0.2
May 15, 1943 to May 15, 1944	— 0.1	— 5.2	+ 7.1	+ 0.1	+ 2.0	+ 7.5	+ 4.9
Sept. 15, 1942 to May 15, 1944	+ 6.1	+ 7.0	+ 8.9	+ 0.1	+ 3.4	+ 8.8	+ 8.6
May 15, 1942 to May 15, 1944	+ 7.8	+11.4	+ 8.6	— 1.6	+ 4.7	+10.1	+ 9.1
Jan. 15, 1941 to May 15, 1944	+24.0	+38.5	+36.0	+ 3.0	+ 8.9	+34.4	+18.7
Aug. 15, 1939 to May 15, 1944	+26.8	+44.9	+36.6	+ 3.6	+12.6	+33.7	+20.5

*These indexes are based on changes in the cost of goods purchased by wage earners and lower-salaried workers in large cities.

†Rents surveyed at quarterly dates: March 15, June 15, Sept. 15, Dec. 15.

‡Changes through March 15, 1944.

Moody's Common Stock Yields

Annual average yields for the years 1929 to 1941, inclusive, and monthly yields for 1941 are published in the "Chronicle" of June 11, 1942, page 2218. Yields for 1942 are on page 202, Jan. 14, 1943, issue, and for 1943, on page 1130, March 16, 1944 issue.

MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS

	Industrials (125)	Railroads (25)	Utilities (25)	Banks (15)	Insurance (10)	Average Yield (200)
January, 1944	4.6%	7.0%	5.5%	3.8%	3.9%	4.8%
February, 1944	4.6	6.7	5.5	3.7	4.0	4.8
March, 1944	4.6	6.9	5.5	3.8	3.7	4.8
April, 1944	4.6	7.0	5.6	3.8	3.8	4.9
May, 1944	4.7	6.7	5.4	3.6	3.7	4.8
June, 1944	4.4	6.6	5.2	3.5	3.7	4.6

U. S. Navy Greatest In World, Says Morgenthau In July 4 Address Featuring Navy Program

In an address on July 4, featuring the Navy program, Secretary of the Treasury Morgenthau declared that "during the past two-and-a-half years the Navy has served as America's first line of defense in two oceans at once." He further declared that, "today the United States has the greatest Navy in the world." Mr. Morgenthau, who spoke from the Philadelphia Navy Yard and whose address was broadcast by the National Broadcasting Company, at the same time presented the navy yard with a Treasury honor flag because of the navy's record of war bond purchases.

Almost $58,000,000,000 has gone into naval expenditures in the last four fiscal years, he said, while Congress during the week, approved an appropriation for another $33,000,000,000 for the fleet. Secretary Morgenthau took occasion to state that "the immediate task before our armed forces today is to beat back the Germans and Japanese until they are crushed so completely that they can never again embark upon their mad scheme of world conquest." He ventured the guess "that we shall be tempted, both in the West, and in the East, with some sort of false capitulation," and urged that we make sure "before we accept the enemy's surrender, that it is real and unconditional and final." Secretary Morgenthau's address follows:

"There could be no more appropriate occasion for a Navy program than Independence Day. For the simple fact is that the American people, in very large measure, owe their independence, now as in the past, to the strength and courage and resolution of their fighting forces at sea. The Navy has seen to it, over a period of 130 years, that no invader has set foot upon the soil of the United States.

"During the past two-and-a-half years, the Navy has served as America's first line of defense in two oceans at once. On this side of the world, in magnificent cooperation with the sea forces of our Allies, the Atlantic Fleet broke the back of the U-boat menace upon which Hitler had pinned so much of his hopes. On the other side of the world, in the Coral Sea, at Midway and around the Solomon Islands, it stopped the Japanese Grand Fleet in its tracks. And just a fortnight ago, off the Marianas, it made that fleet turn tail and run for cover. Something tells me that the Japanese will not be able to remain under cover very much longer. Admiral Nimitz will see to that.

"Today the United States has the greatest navy in the world. I think it will interest you to know that, from the founding of this Republic in 1789 up through the year 1940, we expended on our naval establishment a little over 6½ billion dollars. During the last four fiscal years, however, naval expenditures have amounted to almost 58 billion dollars—approximately nine times as much as during the whole preceding century and a half of our history. And just a few days ago, because of the new needs of the war, Congress approved another naval appropriation of 33 billion dollars. This is more than twice the sum we set out to raise during the Fifth War Loan Drive.

"The immediate task before our Armed Forces today is to beat back the Germans and the Japanese until they are crushed so completely that they can never again embark upon their mad scheme of world conquest. We are waging total war, and we cannot be content with anything less than total victory. If we fall short of that goal, all of this expenditure, all of this effort will have been thrown away. Worse, we shall have betrayed basely all those who fought and died. I hazard the guess that we shall be tempted, both in the West and in the East, with some sort of false capitulation. Let us make sure, before we accept the enemy's surrender that it is real and unconditional and final.

"In these times, it takes a certain temerity for any civilian to present a citation to the fighting chief of a fighting fleet. But the personnel of the Navy have made so splendid a record, not only in their capacity as seamen but in their capacity as American citizens, that they merit the warmest public congratulation. They have not been content simply to take their ships and planes into battle. They have shared in the cost of building them. Two-thirds of the officers and the enlisted men and women of the Navy, Marine Corps and Coast Guard are now purchasing War Bonds regularly at the rate of about 300 million dollars a year. And during the Navy's current bond campaign, arrangements have been made to give each man and woman in uniform an opportunity to participate through the purchase of an additional bond.

"Admiral King, I am honored, on behalf of the Treasury Department, to present to you, as Commander in Chief of the United States Fleet and Chief of Naval Operations, this citation for the Navy's outstanding contribution to the success of the War Bond program."

Secretary Morgenthau further said:

"The civilian employees of the Navy have made a splendid record in the War Bond program. The Philadelphia Navy Yard, where we are now, was the first yard to receive the Secretary of the Navy's War Bond Honor Flag in November, 1942, and it has held a preeminent place since that time with 97% of all employees now purchasing War Bonds regularly through Payroll Savings.

"During the first five months of 1944, more than 93% of all the civilian employees of the Navy were participating in the Payroll Savings Plan, and purchased War Bonds aggregating more than 12% of the total payroll. For the Fifth War Loan Drive, a goal of an extra $100 Bond over and above payroll deduction has been established for every civilian employee.

"Secretary Forrestal, it gives me great pleasure to present to you, on behalf of the Treasury Department, this honor flag in token of the magnificent contribution to the War Bond program by the Navy's civilian employees."

James V. Forrestal, Secretary of the Navy, speaking at the same ceremony, declared the success of the present bond campaign would be "an answer to the fear that we are rapidly becoming overoptimistic about the early conclusion of the war."

Admiral Ernest J. King, commander in chief of the fleet and chief of naval operations, was also a speaker.

Market Value Of Stocks On New York Stock Exchange Higher On June 30

The New York Stock Exchange announced on July 7 that as of the close of business June 30, there were 1,242 stock issues, aggregating 1,492,874,003 shares listed on the New York Stock Exchange, with a total market value of $53,067,698,691. This compares with 1,243 stock issues, aggregating 1,492,655,670 shares, with a total market value of $50,964,039,424 on May 31.

In making public the June 30 figures the Stock Exchange further said:

As of the close of business June 30, New York Stock Exchange member total net borrowings amounted to $863,979,503 of which $517,672,785 represented loans which were not collateralized by U. S. Government issues. The ratio of the latter borrowings to the market value of all listed stocks, on that date, was, therefore, 0.98%. As the loans not collateralized by U. S. Government issues include all other types of member borrowings, these ratios will ordinarily exceed the precise relationship between borrowings on listed shares and their total market value.

In the following table listed stocks are classified by leading industrial groups with the aggregate market value and average price for each:

	June 30, 1944 Market Value $	June 30, 1944 Av. Price $	May 31, 1944 Market Value $	May 31, 1944 Av. Price $
Amusement	610,372,353	26.36	566,838,987	24.47
Automobile	4,785,102,998	39.91	4,462,723,793	36.94
Aviation	623,463,803	17.49	576,944,369	16.18
Building	662,109,050	31.46	603,117,696	28.64
Business and Office Equipment	476,529,331	36.63	443,992,792	34.36
Chemical	6,412,909,751	66.79	6,143,949,902	63.99
Electrical Equipment	1,740,778,046	42.09	1,654,851,920	40.01
Farm Machinery	856,021,903	62.56	815,481,057	59.60
Financial	1,056,255,287	21.59	995,997,507	20.36
Food	3,378,210,373	40.00	3,256,934,726	38.89
Garment	48,603,318	29.06	46,522,232	27.82
Land & Realty	35,861,834	7.39	35,140,447	7.24
Leather	263,088,051	31.21	250,215,323	29.68
Machinery & Metals	1,950,565,968	27.16	1,814,686,649	25.23
Mining (excluding iron)	1,480,842,595	23.96	1,399,353,701	22.65
Paper & Publishing	594,685,101	25.46	550,616,105	23.57
Petroleum	6,245,959,565	30.77	6,238,227,409	30.74
Railroad	4,109,020,873	38.21	4,035,029,896	37.53
Retail Merchandising	2,897,855,040	39.79	2,771,285,396	38.03
Rubber	652,615,587	61.44	637,489,329	59.96
Ship Building & Operating	104,475,412	18.94	98,276,472	17.82
Shipping Services	19,992,464	11.59	18,135,863	10.52
Steel, Iron & Coke	2,386,116,138	47.20	2,210,599,108	43.70
Textiles	594,663,925	38.59	514,852,097	34.43
Tobacco	1,407,844,045	51.69	1,312,115,863	48.25
Utilities:				
Gas & Electric (Operating)	2,322,713,393	22.41	2,470,061,428	23.83
Gas & Electric (Holding)	1,296,710,826	13.46	1,255,505,013	13.03
Communications	3,891,660,482	92.00	3,790,005,757	89.75
Miscellaneous Utilities	126,389,862	21.63	121,499,600	20.79
U. S. Cos. Operating Abroad	872,981,431	25.72	826,437,179	24.29
Foreign Companies	999,832,016	24.15	892,530,595	21.55
Miscellaneous Businesses	163,467,870	27.85	154,621,213	26.34
All Listed Stocks	53,067,698,691	35.55	50,964,039,424	34.14

We give below a two-year compilation of the total market value and the average price of stocks listed on the Exchange:

	Market Value $	Average Price $		Market Value $	Average Price $
1942—			1943—		
June 30	33,419,047,743	22.73	July 31	47,577,989,240	32.17
July 31	34,443,805,860	23.42	Aug. 31	47,710,472,858	32.04
Aug. 31	34,871,607,323	23.70	Sept. 30	48,711,451,018	32.82
Sept. 30	35,604,809,453	24.20	Oct. 30	48,178,040,869	32.44
Oct. 31	37,727,599,526	25.65	Nov. 30	45,101,778,943	30.33
Nov. 30	37,374,462,460	25.41	Dec. 31	47,607,294,582	31.96
Dec. 31	38,811,728,666	26.39			
1943—			1944—		
Jan. 30	41,410,585,043	28.16	Jan. 31	48,396,650,695	32.47
Feb. 27	43,533,661,753	29.61	Feb. 29	48,494,092,518	32.51
Mar. 31	45,845,738,377	31.20	Mar. 31	49,421,855,812	33.12
Apr. 30	46,192,361,639	31.45	Apr. 29	48,670,491,772	32.59
May 29	48,437,700,647	32.96	May 31	50,964,039,424	34.14
June 30	48,878,520,886	33.27	June 30	53,067,698,691	35.55

Further Rise In Individuals' Liquid Savings Reported By SEC

The Securities and Exchange Commission made public on June 25 its quarterly analysis of the volume and composition of saving by individuals [1] in the United States covering the first quarter of 1944 in which it is shown that "the volume of liquid saving by individuals during this quarter amounted to $9.4 billion,[2] reflecting a rise of $9.0 billion in liquid assets, and a decline of $400 million in liabilities. This high rate of saving," says the Commission "has shown little change since the middle of 1942, in contrast to the rapid increase in saving prior to that time." The Commission goes on to say:

"During the first three months of this year, individuals added $5.0 billion to their holdings of U. S. Government bonds; $2.1 billion to their cash and deposits; $1.0 billion to their equity in Government insurance; $900 million to their equity in private insurance, mostly life insurance; and paid off $300 million of debt other than mortgages.[3] Net purchases of U. S. Government bonds were by far the largest component of saving in this quarter, mainly as a result of the Fourth War Loan Drive. Such purchases were at a level reached only once before, in the third quarter of 1943, also as a reflection of a War Loan Drive.

"In contrast to the high level of saving in the form of Government securities, additions to cash and deposits, though substantial, were at the lowest level since the second quarter of 1942. An increase in savings deposits, amounting to about $1.2 billion, accounted for over half of the rise in individuals' cash and deposits. This rise in savings deposits was at the same rate as in the two preceding quarters which were the highest on record. Currency showed a much smaller increase of approximately $500 million, reflecting seasonal factors as well as the Fourth War Loan Drive, while individuals' demand deposits increased only $400 million. It should be noted, however, that most of the unprecedented increase in individuals' cash and deposits since the beginning of the war has taken place in currency and demand deposits.

"Of the remaining components of individuals' saving in the first quarter of 1944, private and Government insurance continued to grow at the same high rate as in prior quarters. Individuals also showed the first fairly sizable liquidation of consumer debt for close to a year, largely as a reflection of seasonal factors."

The Commission points out that the above discussion is based on data presented in the following table:

1. In this analysis individuals' saving includes unincorporated business saving of types specified in the attached table. Corporate and Government saving are not included.

2. This does not reflect the increase in inventories of unincorporated business (net of the change in notes and accounts payable). Although the amount of this increase is not known, it is believed to have been in the neighborhood of $250 million in the first quarter of 1944, compared with a decrease of $250 million in the fourth quarter of 1943.

3. This does not include the reduction in consumer indebtedness to unincorporated business, estimated at less than $50 million.

GROSS SAVING BY INDIVIDUALS IN THE UNITED STATES*
1940-1944 (Billions of dollars)

	1940	1941	1942	1943	1943 Jan.-Mar.	1943 April-June	1943 July-Sept.	1943 Oct.-Dec.	1944 Jan.-Mar.
Gross Saving	15.8	24.9	38.4	46.1	10.7	11.4	11.8	12.2	11 1
Liquid saving	4.0	10.5	29.2	38.0	8.9	9.3	9.8	10.0	9.4
Gross saving by type:									
1. Currency and bank deposits	+3.0	+4.9	+11.2	+15.4	+3.6	+2.9	+2.9	+5.9	+2.1
2. Savings & loan associations	+.2	+.4	+.3	+.6	+.1	+.2	+.1	+.2	+.2
3 Insurance & pension reserves:									
a. Private insurance	+1.7	+2.1	+2.5	+3.1	+.8	+.8	+.7	+.8	+.9
b. Government insurance	+1.2	+1.8	+2.4	+3.8	+.8	+1.0	+1.0	+1.0	+1.0
c. Total	+2.9	+3.8	+4.9	+6.9	+1.6	+1.8	+1.7	+1.8	+1.8
‡4. Securities:									
a. U. S. savings bonds	+.9	+2.8	+8.0	+11.1	+2.6	+3.0	+3.4	+2.2	+3.9
b. Other U. S. Government	—.4	+.8	+1.9	+2.7	0	+1.2	+1.6	—.2	+1.1
c. State & local govs.	—.1	—.2	—.1	+.1	0	0	+.1	0	—.1
d. Corporate and other	—.5	—.5	+.3	0	+.1	0	—.3	+.2	—.1
e. Total	—.2	+2.9	+10.1	+13.9	+2.7	+4.1	+4.8	+2.2	+4.8
5. Non-farm dwellings:									
§a. Purchases	+2.5	+3.0	+1.6	+1.0	+.2	+.2	+.3	+.3	+.2
b. Change in debt	+.9	+.9	+.1	—.4	—.2	—.1	—.1	—.1	—.1
c. Savings (a. minus b.)	+1.7	+2.1	+1.5	+1.4	+.4	+.3	+.4	+.4	+.4
¶6. Automobiles & other durable consumers' goods	+9.3	+11.4	+7.6	+7.2	+1.6	+1.9	+1.8	+1.9	+1.5
**7. Liquidation of debt, not elsewhere classified	—1.1	—.6	+2.8	+.8	+.7	+.2	+.1	—.2	+.3

*Includes unincorporated business saving of the types specified. Does not include corporate or government saving.

†Gross saving excluding purchases of homes as well as of automobiles and other durable consumers' goods.

‡Does not include net purchases by brokers and dealers or by other individuals financed by bank loans.

§New construction of one- to four-family nonfarm homes less net acquisition of properties by non-individuals.

¶Purchases. Based on Department of Commerce data on commodity flow currently being revised. The figures shown above include all new passenger cars sold in the United States.

**Largely attributable to purchases of automobiles and other durable consumers' goods, although including some debt arising from purchases of consumption goods. The other segments of individuals' debt have been allocated to the assets to which they pertain, viz., savings in savings and loan associations, insurance, securities and homes.

Note—Figures are rounded and will not necessarily add to totals.

The foregoing data have been compiled by the Commission from many different sources. Because of the nature of the figures current data are necessarily estimates and, therefore, are subject to revision.

Figures for the year 1943 were given in our issue of March 30, page 1334.

Finished Steel Shipments By Subsidiaries Of U. S. Steel Corporation Decreased In June

Shipments of finished steel products by subsidiaries of the United States Steel Corp. in June amounted to 1,737,769 net tons, a decrease of 39,165 net tons from May shipments of 1,776,934 tons and an increase of 185,106 tons over the 1,552,663 net tons shipped in June, 1943. Deliveries in June, 1942, were 1,774,068 net tons and in June, 1941, 1,668,637 tons.

For the six months ended June 30, last, shipments total 10,632,854 net tons, highest on record for this period. This figure compares with 10,040,016 net tons in the first half of 1943. The previous record for first six months shipments, 10,503,507 net tons, was established in 1942.

	1944	1943	1942	1941	1940	1939
January	1,730,787	1,685,993	1,738,893	1,682,454	1,145,592	870,866
February	1,755,772	1,691,592	1,616,587	1,548,451	1,009,256	747,427
March	1,874,795	1,772,397	1,780,938	1,720,366	931,905	845,108
April	1,756,797	1,630,828	1,758,894	1,687,674	907,904	771,752
May	1,776,934	1,706,543	1,834,127	1,745,295	1,084,057	795,689
June	1,737,769	1,552,663	1,774,068	1,668,637	1,209,684	607,562
July	------	1,660,762	1,765,749	1,666,667	1,296,887	745,364
August	------	1,704,289	1,788,650	1,753,665	1,455,604	885,636
September	------	1,664,577	1,703,570	1,664,227	1,392,838	1,086,683
October	------	1,794,968	1,787,501	1,851,279	1,572,408	1,345,855
November	------	1,660,594	1,665,545	1,624,186	1,425,352	1,406,205
December	------	1,719,624	1,849,635	1,846,036	1,544,623	1,443,969
Total by mos.	------	20,244,830	21,064,157	20,458,937	14,976,110	11,752,116
Yearly adjust.	------	*97,214	*449,020	*42,333	37,639	*44,865
Total	------	20,147,616	20,615,137	20,416,604	15,013,749	11,707,251

*Decrease.

Note—The monthly shipments as currently reported during the year 1942, are subject to adjustment reflecting annual tonnage reconciliations. These will be comprehended in the cumulative yearly shipments as stated in the annual report.

April Hotel Sales Higher

In its June bulletin, Horwath & Horwath, New York, public accountants, report that "continuing the gradual abatement in sales increases over last year, April showed a total gain of only 14%. This," say the bulletin, "compares with one of 16% both for Mar. and for the year to date. Room sales were up 11% and total restaurant sales, 18%, whereas the respective averages for the first four months of this year are 13% and 20%. However, occupancies are holding up everywhere, the total average being 88%, the same as for Mar. and the year to date."

The firm supplies the following statistical data:

APRIL, 1944, COMPARED WITH APRIL, 1943

	Sales, Increase or Decrease Total*	Rooms	Total Restaurant	Food	Beverages	Occupancy Apr. 1944	Apr. 1943	Room Rate† Increase or Decr.
New York City	+15%	+13%	+20%	+20%	+21%	92%	87%	+ 7%
Chicago	+11	+ 9	+13	+12	+14	85	82	+ 5
Philadelphia	+13	+19	+ 7	+11	+ 2	87	82	+12
Washington	+ 5	+ 3	+ 7	+ 7	+ 8	91	91	+ 3
Cleveland	+10	+12	+ 9	+15	— 3	91	88	+ 8
Detroit	+15	+10	+22	+26	+15	94	88	+ 3
Pacific Coast	+20	+18	+22	+14	+32	92	87	+12
Texas	+ 9	+15	+13	+14	+10	94	93	+ 4
All others	+14	+ 9	+18	+20	+15	85	80	+ 3
Total	+14%	+11%	+18%	+18%	+17%	88%	83%	+ 5%
Year to date	+16%	+13%	+20%	+20%	+21%	88%	82%	+ 6%

†The term "rates" wherever used refers to the average sales per occupied room and not to scheduled rates. *Rooms and restaurant only.

Mtg. Loans Exceed 34 Billion Dollars

Despite the fact that the mortgage field has faced strong competition from Government agencies longer than almost any other type of private business, Federal agencies still own less than one-tenth of the total mortgage loans of the country, according to a study made by L. E. Mahan, St. Louis, Vice-President of the Mortgage Bankers Association of America. His survey estimates the total amount of mortgage loans outstanding on Dec. 31 last year at around $34,372,700,000, of which Federal agencies hold around $3,436,500,000. In the announcement from the Association it is stated that practically all previous similar studies have analyzed farm and city mortgages separately and have shown the amounts owned by each large group of holders; the Mahan study, it is noted, approaches the matter from the standpoint of private and Federal holdings.

It is pointed out that the principal estimated factor in the tabulation is the amount of loans held by "others," meaning primarily individual holders of mortgages. Mr. Mahan sets this at 10½ billion dollars which, it is stated, is more than a third of the total holdings of private interests which include life insurance companies, building and loan associations, mutual savings and commercial banks, fraternal societies and associations. Commenting on the vast amount of private money to be available to mortgage financing in the postwar period, Mr. Mahan cited the insurance companies as an example of what we may expect in this field. After the last war, he said, these institutions had around 40% of their total assets in mortgages while today only around 20% of assets are in these investments. He added:

"Since these companies have always shown a high regard for mortgages as investments, they would now own about 14 billion dollars of such loans instead of the less than 7 billion they do own—provided the loans were available. With the greatest building boom of the nation's history likely to develop after the war, good mortgages will be available in greater quantity than in the past quarter century."

Rayon Shipments At New High

Shipments of rayon yarn by American producers totaled 263,300,000 pounds during the first six months of 1944, states the "Rayon Organon," published by the Textile Economics Bureau, Inc. This figure, which represents a new high for any comparable period, is 9% above shipments of 242,600,000 pounds reported for the first half of 1943, the publication reports; for June alone shipments totaled 44,400,000 pounds against 45,400,000 pounds in May and 39,600,000 pounds in June, 1943, according to the advices July 10, which further said:

"Six months' shipments of rayon staple fiber to domestic consumers aggregated 82,700,000 pounds, as compared with shipments of 78,700,000 pounds in the first half of 1943, an increase of 5%. In June staple fiber shipments were 14,400,000 pounds against 14,600,000 pounds in May and 13,300,000 pounds in June, 1943."

Regarding the stocks on hand as of June 30, 1944, the announcement states:

"Stocks of filament rayon yarn held by producers totaled 7,900,000 pounds on June 30th against 8,100,000 pounds held on May 31st, and 6,500,000 pounds held on June 30, 1943. Staple fiber stocks held on June 30th totaled 2,300,000 pounds as against 2,500,000 pounds held on May 31st and 2,900,000 pounds held on June 30, 1943."

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table:

MOODY'S BOND PRICES†
(Based on Average Yields)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corpo- rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
July 11	120.33	112.56	118.80	117.00	112.19	102.96	106.39	114.08	117.40
10	120.34	112.37	118.60	117.00	112.19	102.96	106.39	114.08	117.40
8	120.33	112.37	118.60	117.00	112.19	102.96	106.21	114.08	117.40
7	120.27	112.56	118.60	117.00	112.37	102.96	106.21	114.08	117.40
6	120.23	112.37	118.60	117.00	112.19	102.96	106.21	114.08	117.40
5	120.15	112.37	118.60	116.80	112.19	102.96	106.21	113.89	117.40
4	HOLIDAY								
3	120.15	112.37	118.60	117.00	112.19	102.96	106.21	113.89	117.40
1	120.15	112.37	118.60	116.80	112.19	102.96	106.04	113.89	117.40
June 30	120.15	112.37	118.60	116.80	112.00	102.80	106.04	113.89	117.40
23	120.13	112.19	118.40	116.80	112.00	102.63	106.04	113.89	117.20
16	120.01	112.19	118.40	116.61	112.00	102.63	105.86	113.70	117.20
9	119.88	112.19	118.60	116.61	111.81	102.46	105.69	113.89	117.20
2	119.99	112.19	118.60	116.80	111.81	102.46	105.86	113.89	117.00
May 26	119.66	112.19	118.40	116.80	111.81	102.30	105.86	113.89	117.00
19	119.59	112.00	118.60	116.80	111.81	102.13	105.86	113.89	116.80
12	119.48	112.00	118.60	116.80	111.81	101.64	105.52	113.89	116.80
5	119.48	111.81	118.40	116.61	111.62	101.47	105.52	113.70	116.41
Apr. 28	119.35	111.81	118.40	116.61	111.62	101.47	105.34	113.70	116.41
21	119.75	111.62	118.40	116.41	111.62	101.31	105.17	113.70	116.41
14	119.86	111.62	118.20	116.61	111.44	101.14	105.17	113.70	116.41
6	119.81	111.44	118.20	116.61	111.44	100.98	104.83	113.89	116.22
Mar. 31	119.68	111.44	118.20	116.41	111.25	100.81	104.66	113.70	116.22
Feb. 25	120.21	111.25	118.20	116.41	111.07	100.32	104.31	113.50	116.22
Jan. 28	119.47	111.07	118.20	116.22	111.07	100.16	104.14	113.31	116.41
High 1944	120.44	112.56	118.30	117.00	112.37	102.96	106.39	114.08	117.40
Low 1944	119.34	110.70	118.20	116.22	110.88	99.04	103.30	113.12	116.02
High 1943	120.87	111.44	119.41	117.00	111.81	99.36	103.47	114.27	117.40
Low 1943	116.85	107.44	116.80	113.89	108.88	92.35	97.16	111.81	114.46
1 Year Ago July 10, 1943	120.77	111.07	119.20	116.41	111.25	98.88	102.96	114.08	116.30
2 Years Ago July 11, 1942	118.26	106.74	116.41	113.50	107.98	91.62	95.77	111.25	114.27

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1944— Daily Averages	U. S. Govt. Bonds	Avge. Corpo- rate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
July 11	1.77	3.03	2.71	2.80	3.05	3.57	3.37	2.95	2.78
10	1.77	3.04	2.72	2.80	3.05	3.57	3.37	2.95	2.78
8	1.77	3.04	2.72	2.80	3.05	3.57	3.38	2.95	2.78
7	1.78	3.03	2.72	2.80	3.04	3.57	3.38	2.95	2.78
6	1.78	3.04	2.72	2.80	3.05	3.57	3.38	2.95	2.78
5	1.79	3.04	2.72	2.81	3.05	3.57	3.38	2.96	2.78
4	HOLIDAY								
3	1.79	3.04	2.72	2.80	3.05	3.57	3.38	2.96	2.78
1	1.79	3.04	2.72	2.81	3.05	3.57	3.38	2.96	2.78
June 30	1.79	3.04	2.72	2.81	3.06	3.58	3.39	2.96	2.78
23	1.79	3.05	2.73	2.81	3.06	3.59	3.39	2.96	2.79
16	1.80	3.05	2.73	2.82	3.06	3.59	3.40	2.97	2.79
9	1.82	3.05	2.72	2.82	3.07	3.60	3.41	2.96	2.79
2	1.81	3.05	2.72	2.81	3.07	3.60	3.40	2.96	2.80
May 26	1.84	3.05	2.73	2.81	3.07	3.61	3.40	2.96	2.80
19	1.84	3.06	2.72	2.81	3.07	3.62	3.40	2.96	2.81
12	1.85	3.06	2.72	2.81	3.07	3.65	3.42	2.96	2.81
5	1.85	3.07	2.73	2.82	3.08	3.66	3.42	2.97	2.83
Apr. 28	1.86	3.07	2.73	2.82	3.08	3.66	3.43	2.97	2.83
21	1.83	3.08	2.73	2.83	3.08	3.67	3.44	2.97	2.83
14	1.82	3.08	2.74	2.82	3.09	3.68	3.44	2.97	2.83
6	1.83	3.09	2.74	2.82	3.09	3.69	3.46	2.96	2.84
Mar. 31	1.83	3.09	2.74	2.83	3.10	3.70	3.47	2.97	2.84
Feb. 25	1.81	3.10	2.74	2.83	3.11	3.73	3.49	2.98	2.84
Jan. 28	1.87	3.11	2.74	2.84	3.11	3.74	3.50	2.99	2.83
High 1944	1.87	3.13	2.74	2.84	3.12	3.81	3.55	3.00	2.85
Low 1944	1.77	3.03	2.71	2.80	3.04	3.57	3.37	2.95	2.78
High 1943	2.08	3.31	2.81	2.96	3.23	4.25	3.93	3.07	2.93
Low 1943	1.79	3.09	2.68	2.80	3.07	3.79	3.54	2.94	2.78
1 Year Ago July 10, 1943	1.80	3.11	2.69	2.83	3.10	3.82	3.57	2.95	2.81
2 Years Ago July 11, 1942	1.98	3.35	2.83	2.98	3.28	4.30	4.02	3.10	2.94

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Civil Engineering Construction $18,922,000 For Week

Civil engineering construction volume in the continental U. S. totals $18,922,000 for short week due to the Fourth of July holiday. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 55% below the corresponding week last year as reported to "Engineering News-Record," 32% under the previous four-week moving average, and compares with $34,477,000 reported for the preceding week. The report made public on July 6 continued as follows

Private construction is 42% lower than a year ago and public work is down 56% as a result of the 62% drop in federal volume. State and municipal construction tops the 1943 week by 18%.

The current week's construction brings 1944 volume to $910,752,000 for the 27 weeks, a decrease of 51% from the $1,868,402,000 for the period last year. Private construction, $203,282,000, is down 12%, and public work, $707,470,000 is down 57% due to the 61% decline in federal work.

Civil engineering construction volumes for the 1943 week, last week, and the current week are:

	July 8, '43	June 29, '44	July 6, '44
Total U. S. Construction	$42,002,000	$34,477,000	$18,922,000
Private Construction	3,095,000	5,506,000	1,801,000
Public Construction	38,907,000	28,971,000	17,121,000
State and Municipal	2,766,000	9,331,000	3,266,000
Federal	36,141,000	19,640,000	13,855,000

In the classified construction groups, gains over the 1943 week are in industrial buildings and streets and roads. All classes are lower than a week ago. Subtotals for the week in each class of work are: waterworks, $140,000; sewerage, $214,000; bridges, $25,000; industrial buildings, $604,000; commercial building and large-scale private housing, $589,000; public buildings, $4,088,000; earthwork and drainage, $61.000; streets and roads, $4,376,000; and unclassified construction, $8,825,000.

New capital for construction purposes totals $3,002,000 for the week, and is made up entirely of state and municipal bond sales. The week's new financing brings 1944 volume to $446.299,000 for the 27 weeks, a figure that compares with $2,915,072,000 for the corresponding 1943 period.

National Fertilizer Association Wholesale Price Index Continues Fractional Advance

The weekly wholesale commodity price index, compiled by The National Fertilizer Association and made public on July 10, again advanced fractionally to 138.0 in the week ending July 8 from 137.7 in the preceding week. A month ago this index registered 137.0 and a year ago 134.4. The index is now 0.1% higher than it was on Jan. 1 of this year. The Association's report went on to say:

The farm products group continued to advance as higher quotations on rye, hogs, and live fowls exceeded moderate declines in wheat, choice cattle, and lambs. The foods group also continued to advance fractionally as higher prices were registered for eggs and fresh pork cuts. Cotton prices again soared into new high ground last week, causing the textiles group to advance for the eighth consecutive week. The chemicals and drugs group declined fractionally, marking its first change this year, as the price of iron free alumina sulphate was reduced. The OPA granted an increase in Florida phosphate rock which in turn caused a fractional advance in the fertilizer materials group—the first change to be registered in this index in over a year.

During the week 8 price series in the index advanced and 5 declined; in the preceding week there were 12 advances and 5 declines; and in the second preceding week there were 8 advances and 9 declines.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week July8, 1944	Preceding Week July 1, 1944	Month Ago Jun. 10, 1944	Year Ago July 10, 1943
25.3	Foods	140.9	140.0	138.2	137.6
	Fats and Oils	145.1	145.1	144.9	145.1
	Cottonseed Oil	163.1	163.1	163.1	159.0
23.0	Farm Products	159.8	158.6	154.9	151.9
	Cotton	208.6	207.1	202.3	199.8
	Grains	160.1	162.0	164.6	149.0
	Livestock	151.6	149.3	143.7	144.0
17.3	Fuels	130.1	130.1	130.1	122.8
10.8	Miscellaneous commodities	132.2	132.2	132.2	130.1
8.2	Textiles	153.3	153.1	152.5	151.2
7.1	Metals	104.4	104.4	104.4	104.4
6.1	Building materials	153.4	153.4	153.4	152.6
1.3	Chemicals and drugs	126.9	127.7	127.7	126.6
.3	Fertilizer materials	118.1	117.7	117.7	117.7
.3	Fertilizers	119.7	119.7	119.7	119.8
.3	Farm machinery	104.5	104.5	104.4	104.1
100.0	All groups combined	138.0	137.7	137.0	134.4

*Indexes on 1926-1928 base were: July 8, 1944, 107.5; July 1, 107.3, and July 10, 1943, 104.7.

Steel Operations Rise 1.4% — Orders Also At Higher Rate — Less Pressure From Consumers

"While the War Production Board, the armed forces and the steel industry focused attention on the lagging ingot rate this week, steel output barely resumed the same rate of activity which took place in the pre-holiday week, the "Iron Age" states in its issue of today (July 13), further adding: "Discussions in Washington last week led to the conclusion that unless the manpower situation in the steel industry was alleviated there was little chance that the industry could operate at its maximum capacity. Added to this factor was the abnormal hot weather throughout the country which some sources claim has been responsible for the major part of the drop recently in raw steel output. Other quarters, however, are of the belief that even though the heat factor is offset the manpower shortage will continue to be the guiding hand in the future trend of steel production.

"Not mentioned in official quarters but nevertheless an important adjunct to the declining steel ingot rate has been the increase in the number of so-called outlaw or 'quickie' strikes in the steel industry. While the actual production loss due to these work stoppages is only a small per cent of the total steel output, the effect of these unauthorized strikes is to completely disrupt the intricate steel scheduling mechanism in the industry.

"Steel ordering has increased notably during July but at the same time some sales offices feel that pressure from consumers is reducing rather than increasing as might be expected along with large orders. This hesitancy on the part of steel users is predicated on the belief that inventories and shipments should be more closely geared with actual production than was the case several months ago before the invasion of Europe became a fact.

"The War Department has cut the shell container program 60%. The downward revision is due to the fact that the containers are not needed in the European theater and also to the fact that they are too heavy for that area. The cut back will effect a saving of about 100,000 tons of steel a month, it is said.

"Movement of scrap iron and steel is sluggish throughout the country, except in the Buffalo area which is receiving barge shipments from metropolitan New York. The dull market is caused by the reluctance of steel mills to take on inventories of scrap at ceiling prices when an early termination of the war in Europe may cause cancellation of government contracts and depress scrap prices. Mills are adhering rigidly to scrap grade specifications and certain dealers are shipping at a sacrifice out of their normal market areas rather than risk rejections. Concern has been expressed for next winter's supply of scrap, for dealers are unwilling to build up their supplies in the face of an impending market drop, and the manpower shortage is seriously impeding their scrap handling operations."

The American Iron and Steel Institute on July 10 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 95.7% of capacity for the week beginning July 10, compared with 94.3% one week ago, 97.1% one month ago and 96.4% one year ago. The operating rate for the week beginning July 10 is equivalent to 1,714,300 tons of steel ingots and castings, compared to 1.689.200 tons one week ago, 1.739.300 tons one month ago, and 1,679,700 tons one year ago.

"Steel" of Cleveland, in its summary of the iron and steel markets, on July 10, stated in part as follows:

"Requirements for the new combat tank program, which originated soon after the Normandy invasion, are now beginning to shape up rapidly. Various 'orders of intent' not only are expected to be converted into firm orders soon but in some cases, at least, are likely to involve a substantially larger number than originally indicated. One builder given a tentative order for 1,000 large tanks is expected to receive a definite order for 4,000.

"As another phase of tank work a large number completed against previous orders, but still in this country, will be altered to provide greater fire power, among other changes.

"While there will be no immediate pressure for tonnage, substantial new merchant ship contracts are expected to be announced shortly. Most of this construction will fall in 1945, with the remainder carrying over into the following year. With sheared plate mills booked solidly for five months, some virtually out of the market for the year and with substantial backlogs beyond that, shipwork should go far toward sustaining production at a good rate for considerable time. Meanwhile pressure on plate mills is heavy, though new orders currently are irregular, due not only to present lack of new ship work but also to extended deliveries and to time required for formulating new car and locomotive needs for export. However, 35,000 freight cars of various types, mainly for the War Department, are up for bids, and an unspecified number of locomotives.

"While May movement of Lake Superior iron ore was only 110,339 gross tons, 0.93% greater than in the corresponding month last year, total movement to July 1 was 4,583,040 tons greater than to the same date last year, a gain of 18.48%. May loadings totaled 11,974,640 tons and cumulative movement to July 1 was 29,376,930 tons.

"Scrap continues to come out in sufficient volume to sustain steelmaking at a high rate, though inferior grades predominate in some areas."

New York Stock Exch. Borrowings Higher

The New York Stock Exchange announced on July 7, 1944, that the total of money borrowed as reported by Stock Exchange member firms as of the close of business June 30, was $863,979,503, an increase of $209,048,774 over the May 31 total of $654,930,729.

The following is the Stock Exchange's announcement:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges, (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $346,306,718; (2) on all other collateral, $517,672,785; reported by New York Stock Exchange member firms as of the close of business June 30, 1944, aggregated $863,979,503.

The total of money borrowed, compiled on the same basis, as of the close of business May 31, 1944, was (1) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government, $187,570,300; (2) on all other collateral, $467,360,429. Total, $654,930,729.

Moody's Daily Commodity Index

Tuesday, July 4, 1944	*
Wednesday July 5	249.3
Thursday, July 6	248.9
Friday July 7	249.3
Saturday, July 8	249.2
Monday, July 10	249.8
Tuesday, July 11	250.1
Two weeks ago, June 27	249.9
Month ago, June 10	250.4
Year ago, July 10, 1943	243.0
1943 High, April 1	249.9
Low, Jan. 2	240.2
1944 High, March 17	251.5
Low, Jan. 5	247.0

*Holiday.

Trading On New York Exchanges

The Securities and Exchange Commission made public on July 1 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended June 17, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended June 17 (in round-lot transactions) totaled 4,230,450 shares, which amount was 16.68% of the total transactions on the Exchange of 12,680,200 shares. This compares with member trading during the week ended June 10 of 2,175,604 shares, or 16.79% of the total trading of 6,477,020 shares. On the New York Curb Exchange, member trading during the week ended June 17 amounted to 586,070 shares, or 14.64% of the total volume on that exchange of 2,001,690 shares; during the June 10 week trading for the account of Curb members of 277,255 shares was 14.14% of total trading of 980,155 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED JUNE 17, 1944

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	327,870	
‡Other sales	12,352,330	
Total sales	12,680,200	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	970,320	
Short sales	115,450	
‡Other sales	877,050	
Total sales	992,500	7.74
2. Other transactions initiated on the floor—		
Total purchases	847,480	
Short sales	66,210	
‡Other sales	725,210	
Total sales	791,420	6.46
3. Other transactions initiated off the floor—		
Total purchases	289,607	
Short sales	25,820	
‡Other sales	313,303	
Total sales	339,123	2.48
4. Total—		
Total purchases	2,107,407	
Short sales	207,480	
‡Other sales	1,915,563	
Total sales	2,123,043	16.68

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED JUNE 17, 1944

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	17,230	
‡Other sales	1,984,460	
Total sales	2,001,690	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	158,260	
Short sales	10,820	
‡Other sales	170,165	
Total sales	180,985	8.47
2. Other transactions initiated on the floor—		
Total purchases	69,240	
Short sales	3,200	
‡Other sales	58,340	
Total sales	61,540	3.27
3. Other transactions initiated off the floor—		
Total purchases	55,825	
Short sales	2,100	
‡Other sales	58,120	
Total sales	60,220	2.90
4. Total—		
Total purchases	283,325	
Short sales	16,120	
‡Other sales	286,625	
Total sales	302,745	14.64
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	70,938	
Total purchases	70,938	
Total sales	53,928	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Wholesale Prices Up In Week Ended July 1 Labor Department Reports

Sharp increases in prices for most agricultural products brought the Bureau of Labor Statistics' index of commodity prices in primary markets up 0.4% during the last week of June. "The all-commodity index of nearly 900 price series rose to 104.1% of the 1926 average," according to the U. S. Department of Labor on July 6. It is added that "the general level of prices for these commodities is 0.2% higher than at the end of May and 1.1% over the corresponding week of last year." The department's announcement further said:

"**Farm products and foods higher**—Led by an increase of more than 8% for fruits and vegetables and 7% for eggs, average prices for farm products rose 2% during the week to the highest point reached in nearly a year. Substantially higher prices were reported for apples in the New York and Portland (Oregon) markets, for oranges, and for onions. Rye and wheat rose by more than 1% and alfalfa hay by 10%. Congressional action in raising the loan value brought cotton prices up 1%. Heavy hogs also rose slightly and quotations were higher for live poultry in the New York market. In the past four weeks average prices for farm products have risen 1.3%. They are, however, 0.3% lower than at this time last year.

"The sharp advance in prices for agricultural commodities, particularly fruits and vegetables and eggs, also led to an increase of 1.7% in average prices for foods during the week. Fresh pork and rye flour rose slightly while wheat flour and white potatoes in most markets declined. Average prices for foods are 1.4% higher than at the end of May. Notwithstanding the recent rise in food prices they are 0.8% lower than at the same time last year."

"**Industrial commodities**—Very few changes were reported in prices for industrial commodities during the week. The decline in the hides and leather products group resulted from an earlier decrease in prices for shearlings. Minor fluctuations occurred in quotations for pine lumber. Rosin advanced nearly 4% while turpentine dropped 1.3%. Slightly lower prices were reported for soap products."

Note: During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. Indexes marked (*), however, must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) index numbers for the principal groups of commodities for the past three weeks, for June 3, 1944 and July 3, 1943, and the percentage changes from a week ago, a month ago, and a year ago, and (2) percentage changes in subgroup indexes from June 24 to July 1, 1944.

WHOLESALE PRICES FOR WEEK ENDED JULY 1, 1944
(1926=100)

						Percentage change to July 1, 1944 from—		
Commodity Groups—	7-1 1944	6-24 1944	6-17 1944	6-3 1944	7-3 1943	6-24 1944	6-3 1944	7-3 1943
All commodities	*104.1	*103.7	*103.7	*103.9	103.0	+0.4	+0.2	+ 1.1
Farm products	125.5	123.0	122.9	123.9	125.9	+2.0	+1.3	— 0.3
Foods	160.7	104.9	104.9	105.2	107.6	+1.7	+1.4	— 0.8
Hides and leather products	116.8	117.7	117.7	117.7	118.4	—0.8	—0.8	— 1.4
Textile products	97.3	97.3	97.3	97.3	96.9	0	0	+ 0.4
Fuel and lighting materials	83.8	83.8	83.7	83.7	81.5	0	+0.1	+ 2.8
Metals and metal products	*103.8	*103.8	*103.8	*103.8	103.9	0	0	— 0.1
Building materials	115.9	115.9	115.8	115.7	110.4	0	+0.2	+ 5.0
Chemicals and allied products	105.3	105.3	105.3	105.3	100.2	0	0	+ 5.1
Housefurnishing goods	106.0	106.0	106.0	106.0	104.3	0	0	+ 1.6
Miscellaneous commodities	93.3	93.3	93.3	93.3	91.6	0	0	+ 1.9
Raw materials	114.6	113.2	113.1	113.8	114.0	+1.2	+0.7	+ 0.5
Semimanufactured articles	93.7	93.7	93.7	93.6	92.7	0	+0.1	+ 1.1
Manufactured products	*101.1	*101.1	*101.1	*101.1	99.7	0	0	+ 1.4
All commodities other than farm products	*99.5	*99.5	*99.5	*99.6	98.1	0	—0.1	+ 1.4
All commodities other than farm products and foods	*98.7	*98.7	*98.7	*98.7	96.9	0	0	+ 1.9

*Preliminary.

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM JUNE 24, 1944 TO JULY 1, 1944

Increases			
Fruits and vegetables	8.6	Grains	0.6
Other farm products	4.2	Paint and paint materials	0.3
Other foods	1.4	Meats	0.1
Decreases			
Hides and skins	4 6	Cereal products	0.2
Livestock and poultry	1.0		

Non-Ferrous Metals Experience Slow Trading Period—Quicksilver Consumption Below Output

"E. & M. J. Metal and Mineral Markets," in its issue of July 6, stated: "Labor difficulties at Mexican metal-producing properties are in process of being settled, which was viewed as a favorable development, particularly among consumers of lead. So far, some 140 companies and individuals involved in the month-old wage dispute have reached an agreement with miners and smelter workers, and other producers are negotiating for an early settlement. With July needs of consumers almost fully provided for, new business in non-ferrous metals came through on a reduced scale during the last week. Quicksilver statistics for May were issued on July 5 and showed that production still exceeded consumption in that month." The publication further went on to say in part:

Copper

Brass mills were more concerned with making necessary repairs during the vacation period scheduled for the holiday week than in obtaining more copper. July needs have been provided for, and August business is developing slowly.

Copper production from domestic mines in May was 85,848 tons, a decrease of 2% from that of April, according to a preliminary estimate by the Bureau of Mines.

The Metals Reserve Co. intends to terminate on Jan. 30, 1945, its buying program in Chile for obtaining copper ore and concentrates from small mining properties, according to mail advices from Santiago. Contract prices are being lowered on a quarterly basis on such transactions, which means that premium payments will gradually be eliminated. Ore and concentrates were purchased by Metals Reserve through the Chilean government. During 1943, about $5,300,000 was involved in acquiring the copper-bearing material.

Purchases of electrolytic and fire-refined copper will not be affected by the move. During 1943 the United States obtained virtually all of Chile's production of copper. Output last year was estimated at 548,000 tons.

Lead

Production of pig lead in Mexico has not yet been resumed, but settlement of the labor difficulties is thought to be near at hand and tension in the domestic market has moderated. With domestic production falling, owing to labor shortages, the trade will continue to call on outside sources for fairly large tonnages, particularly for the common grade of lead. Consumers are not greatly concerned about obtaining corroding lead, as the stockpile consists largely of this grade.

Sales of lead by domestic producers for the last week amounted to 8,859 tons, against 4,201 tons in the week previous.

Zinc

The Rosita zinc smelter of A. S. & R., in Mexico, resumed production June 30. Though all details of the settlement have not yet been worked out, no obstacles stand in the way of operating the plant at capacity, according to advices from Mexico.

Buying last week was on the quiet side, owing to the fact that most of the large consumers have already purchased zinc for their July requirements. There were no price developments.

Mine output of zinc in the United States for May was estimated by the Bureau of Mines at 62,708 tons, against 63,814 tons in April.

Tin

Though exports of tin concentrates from Bolivia have been smaller so far this year, receipts of tin and tin concentrates in the United States from all sources have actually increased, according to members of the trade. Concentrates formerly consigned to England have been moving to Texas, and supplies from African sources have been coming through with regularity.

General Preference Order M-43 has been amended by WPB, covering tin contained in solder. The revised regulations raise from 21% to 30% the tin content of solder that may be used as specifically permitted. The order now requires prescribed certification in the purchase of all solders, and adds radio, radar, and electrical appliances to the list in which solder containing not more than 35% tin may be used. Fabrication of terne-plate tanks is included under items in which 35% tin solder may be used.

Quotations for tin were unchanged last week. Straits quality tin for shipment, in cents per pound:

	July	August	Sept.
June 29	52.000	52.000	52.000
June 30	52.000	52.000	52.000
July 1	52.000	52.000	52.000
July 3	52.000	52.000	52.000
July 4		HOLIDAY	
July 5	52.000	52.000	52.000

Chinese, or 99% tin, was unchanged at 51.125c. per pound.

Quicksilver

Production of quicksilver in May amounted to 3,400 flasks, against 3,700 flasks in April and a monthly average of 4,327 flasks for 1943, the Bureau of Mines reports. Consumption during May was 3,100 flasks, against 3,200 flasks in April and a monthly average for 1943 of 4,542 flasks.

The position of the market for quicksilver was unchanged last week. Buying was described as light, with sales reported within the range of $98 to $103 per flask, New York, depending on quantity. Sellers were not inclined to force matters over the holiday period. Conditions on the Pacific Coast remained unsettled, chiefly because important consumers continue to show so little interest in obtaining forward metal.

E&MJ monthly averages for quicksilver for 1943 and the first six months of 1944 follow:

	1943	1944
January	$196.000	$151.600
February	196.000	130.000
March	196.000	130.000
April	196.000	128.200
May	196.000	115.538
June	196.000	101.692
July	196.000	------
August	196.000	------
September	195.720	------
October	195.000	------
November	193.696	------
December	190.077	------

Silver

The London market for silver was quiet last week, with the price unchanged at 23½d. The New York Official for foreign silver continued at 44¾c., with domestic metal at 70⅝c.

Results Of Treasury Bill Offering

The Secretary of the Treasury announced on July 10 that the tenders for $1,200,000,000, or thereabouts, of 92-day Treasury bills to be dated July 13 and to mature Oct. 13, 1944, which were offered on July 7, were opened at the Federal Reserve Banks on July 10.

The details of this issue are as follows:

Total applied for, $2,042,316,000.

Total accepted, $1,203,823,000 (includes $54,389,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price 99.904, equivalent rate of discount approximately 0.374% per annum.

Range of accepted competitive bids:

High, 99.910, equivalent rate of discount approximately 0.352% per annum.

Low, 99.904, equivalent rate of discount approximately 0.376% per annum.

(51% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on July 13 in the amount of $1,014,523,000.

Daily Crude Oil Production Sets New High—Up 3,550 Barrels Per Day In July 1 Week

The American Petroleum Institute estimated that the daily average gross crude oil production for the week ended July 1, 1944, was 4,586,750 barrels, a new high record. It was 3,550 barrels per day higher than in the preceding week, 578,950 barrels per day more than in the corresponding week of last year and 1,150 barrels in excess of the daily average figure recommended by the Petroleum Administration for War for the month of June, 1944. Daily production for the four weeks ended July 1, 1944, averaged 4,565,200 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,638,000 barrels of crude oil daily and produced 14,052,000 barrels of gasoline; 1,523,000 barrels of kerosine; 4,496,000 barrels of distillate fuel oil, and 8,872,000 barrels of residual fuel oil during the week ended July 1, 1944; and had in storage at the end of that week, 83,559,000 barrels of gasoline; 9,682,000 barrels of kerosine; 35,360,000 barrels of distillate fuel, and 52,235,000 barrels of residual fuel oil. The above figures apply to the country as a whole, and do not reflect conditions on the East Coast.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations June	*State Allowables begin. June 1	Actual Production Week Ended July 1, 1944	Change from Previous Week	4 Weeks Ended July 1, 1944	Week Ended July 3, 1943
Oklahoma	332,000	332,000	†338,300	+ 6,000	333,200	335,500
Kansas	274,000	269,600	†274,700	—15,000	276,800	280,100
Nebraska	1,000	----	†1,000	----	1,000	2,150
Panhandle Texas			92,150	----	92,200	90,200
North Texas			149,400	----	149,400	134,300
West Texas			447,900	----	447,900	236,100
East Central Texas			145,000	----	145,000	125,500
East Texas			360,550	----	360,500	350,400
Southwest Texas			312,950	----	312,900	217,600
Coastal Texas			528,450	----	528,500	394,300
Total Texas	2,039,000	‡2,042,059	2,036,400	----	2,036,400	1,548,400
North Louisiana			72,750	— 1,450	73,600	85,150
Coastal Louisiana			288,750	----	288,800	250,800
Total Louisiana	350,000	395,000	361,500	— 1,450	362,400	335,950
Arkansas	78,000	77,991	80,250	----	80,400	75,700
Mississippi	42,000		43,900	— 1,450	43,900	55,050
Alabama			150	+ 50	100	----
Florida			50	----	50	----
Illinois	220,000		208,650	— 900	206,400	220,550
Indiana	14,000		12,200	— 700	12,400	13,600
Eastern— (Not incl. Ill., Ind., Ky.)	73,600		71,550	+ 4,750	69,000	79,750
Kentucky	23,000		24,700	+ 2,950	21,500	20,800
Michigan	51,000		51,900	+ 4,700	49,900	57,500
Wyoming	94,000		93,950	+ 2,500	87,700	86,550
Montana	24,400		22,100	+ 800	21,500	20,850
Colorado	7,400		7,550	— 800	8,200	7,000
New Mexico	113,000	113,000	108,000	----	108,000	97,050
Total East of Calif	3,736,400		3,736,850	+ 1,450	3,718,800	3,236,500
California	849,200	§849,200	849,900	+ 2,100	846,400	771,300
Total United States	4,585,600		4,586,750	+ 3,550	4,565,200	4,007,800

*P.A.W. recommendations and state allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. June 29, 1944.

‡This is the net basic allowable as of June 1 calculated on a 30-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 15 days, the entire state was ordered shut down for 7 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 7 days shutdown time during the calendar month. §Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JULY 1, 1944

(Figures in Thousands of barrels of 42 Gallons Each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	Daily Refining Capacity Potential Rate	Daily Refining Capacity % Reporting	Crude Runs to Stills Daily Average	Crude Runs to Stills % Operated	§Gasoline Production at Refineries Includ. Natural Blended	‡Stocks Finished and Unfinished Gasoline	‡Stocks of Gas Oil and Distillate Fuel Oil	‡Stocks of Residual Fuel Oil
*Combin'd: East Coast Texas Gulf, Louisiana Gulf, North Louisiana-Arkansas, and inland Texas	2,518	90.3	2,399	95.3	6,782	36,891	18,834	15,513
Appalachian— District No. 1	130	83.9	95	73.1	326	1,948	837	299
District No. 2	47	87.2	60	127.7	185	1,083	624	199
Ind., Ill., Ky.	824	85.2	767	93.1	2,752	18,523	5,367	3,428
Okla., Kans., Mo.	418	80.2	380	90.9	1,345	7,486	1,328	1,421
Rocky Mountain— District No. 3	13	17.0	12	92.3	34	66	4	29
District No. 4	141	58.3	91	64.5	305	2,374	332	632
California	817	89.9	834	102.1	2.323	15,188	8,034	30,714
Total U. S. B. of M. basis July 1, 1944	4,908	87.2	4,638	94.5	14,052	†83,559	35,360	52,235
Total U. S. B. of M. basis June 24, 1944	4,908	87.2	4,638	94.5	14,066	86,000	34,328	52,757
U. S. Bur. of Mines basis July 3, 1943			3,892		11,089	77,185	32,546	65,566

*At the request of the Petroleum Administration for War. †Finished, 71,574,000 barrels; unfinished, 11,985,000 barrels. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,523,000 barrels of kerosine, 4,496,000 barrels of gas oil and distillate fuel oil and 8,872,000 barrels of residual fuel oil produced during the week ended July 1, 1944, which compares with 1,502,000 barrels 4,337,000 barrels and 8,961,000 barrels, respectively in the preceding week and 1,213,000 barrels, 3,556,000 barrels and 7,781,000 barrels, respectively, in the week ended July 3, 1943.

Note—Stocks of kerosine at July 1, 1944 amounted to 9,682,000 barrels, as against 9,195,000 barrels a week earlier and 8,361,000 barrels a year before.

Weekly Coal And Coke Production Statistics

The Solid Fuels Administration for War, U. S. Department of the Interior, in its latest report, states that the total production of soft coal in the week ended July 1, 1944 is estimated at 12,050,000 net tons, as against 12,000,000 tons in the preceding week and 10,165,000 tons in the corresponding week of 1943. Cumulative production of soft coal from Jan. 1 to July 1 totaled about 321,080,000 tons, compared with 289,287,000 tons in the same period last year, an increase of 11.0%.

Production of Pennsylvania anthracite for the week ended July 1, 1944, as estimated by the U. S. Bureau of Mines, was 1,291,000 tons, an increase of 52,000 tons (4.2%) over the preceding week. When compared with the output in the corresponding week of 1943, there was an increase of 665,000 tons. The calendar year to date shows an increase of 12.2% when compared with the same period last year. The strike of the coal miners was the main cause for the lower production a year ago.

The Bureau of Mines also reported that the estimated production of beehive coke in the United States for the week ended July 1, 1944 showed a decrease of 6,100 tons when compared with the output in the week ended June 24; and was 53,300 tons more than for the corresponding week of 1943.

ESTIMATED UNITED STATES PRODUCTION OF COAL, IN NET TONS

Bituminous coal and lignite—	Week Ended July 1, 1944	Week Ended June 24, 1944	Week Ended July 3, 1943	Januarv 1 to Date *July 1, 1944	Januarv 1 to Date July 3, 1943	Januarv 1 to Date July 3, 1937
Total incl. mine fuel	12,050,000	12,000,000	10,165,000	321,080,000	289,287,000	227,625,000
Daily average	2,008,000	2,000,000	1,694,000	2,058,000	1,851,000	1,465,000

*Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

Penn. anthracite—	Week Ended ‡July 1, 1944	Week Ended §June 24, 1944	Week Ended July 3, 1943	Calendar Year to Date July 1, 1944	Calendar Year to Date July 3, 1943	Calendar Year to Date July 3, 1937
*Total incl. coll. fuel	1,291,000	1,239,000	626,000	33,342,000	29,715,000	28,861,000
†Commercial produc.	1,239,000	1,189,000	601,000	32,009,000	28,526,000	27,418,000
Beehive coke— United States total	150,000	156,100	96,700	3,920,500	3,853,000	1,861,400

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF COAL, BY STATES

(In Net Tons)

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

State—	Week Ended June 24, 1944	Week Ended June 17, 1944	Week Ended June 26, 1943	Week Ended June 26, 1937
Alabama	379,000	402,000	74,000	246,000
Alaska	5,000	5,000	5,000	3,000
Arkansas and Oklahoma	90,000	73,000	45,000	17,000
Colorado	121,000	140,000	58,000	80,000
Georgia and North Carolina	1,000	1,000	1,000	*
Illinois	1,527,000	1,484,000	650,000	604,000
Indiana	527,000	533,000	240,000	246,000
Iowa	50,000	46,000	43,000	16,000
Kansas and Missouri	156,000	160,000	126,000	72,000
Kentucky—Eastern	926,000	937,000	289,000	704,000
Kentucky—Western	374,000	390,000	178,000	121,000
Maryland	40,000	39,000	21,000	24,000
Michigan	3,000	3,000	3,000	4,000
Montana (bitum. & lignite)	74,000	74,000	73,000	35,000
New Mexico	29,000	30,000	22,000	22,000
North & South Dakota (lignite)	37,000	36,000	34,000	12,000
Ohio	695,000	710,000	195,000	416,000
Pennsylvania (bituminous)	2,980,000	3,108,000	785,000	1,934,000
Tennessee	147,000	144,000	41,000	98,000
Texas (bituminous & lignite)	2,000	2,000	2,000	18,000
Utah	146,000	133,000	43,000	34,000
Virginia	377,000	388,000	167,000	231,000
Washington	30,000	30,000	18,000	30,000
†West Virginia—Southern	2,133,000	2,160,000	930,000	1,620,000
‡West Virginia—Northern	996,000	1,113,000	477,000	565,000
Wyoming	155,000	158,000	86,000	81,000
§Other Western States	*	1,000	*	*
Total bituminous & lignite	12,000,000	12,300,000	4,606,000	7,233,000
Pennsylvania anthracite	1,239,000	1,319,000	286,000	937,000
Total, all coal	13,239,000	13,619,000	4,892,000	8,170,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Electric Output For Week Ended July 8, 1944 Shows 0.5% Gain Over Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry by the United States for the week ended July 8, 1944, was approximately 3,940,854,000 kwh., compared with 3,919,398,000 kwh. in the corresponding week a year ago, an increase of 0.5%. The output for the week ended July 1, 1944, was 5.3% in excess of the similar period of 1943.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

Major Geographical Divisions—	Week Ended July 8	July 1	June 24	June 17
New England	*12.0	0.6	3.3	2.7
Middle Atlantic	*5.4	0.1	*1.3	*1.2
Central Industrial	*1.7	5.5	5.2	4.8
West Central	2.0	5.7	6.2	3.9
Southern States	5.2	8.2	8.4	6.3
Rocky Mountain	*8.0	*6.6	*9.1	*8.5
Pacific Coast	15.0	15.2	15.4	16.5
Total United States	0.5	5.3	5.0	4.6

*Decrease under similar week in 1943.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1944	1943	% Change over 1943	1942	1932	1929
April 1	4,408,703	3,889,858	+13.3	3,348,608	1,465,076	1,633,291
April 8	4,361,094	3,882,467	+12.3	3,320,858	1,480,738	1,696,543
April 15	4,307,498	3,916,794	+10.0	3,307,700	1,469,810	1,709,331
April 22	4,344,188	3,925,175	+10.7	3,273,190	1,454,505	1,699,822
April 29	4,336,247	3,866,721	+12.1	3,304,602	1,429,032	1,688,434
May 6	4,233,756	3,903,723	+ 8.5	3,365,208	1,436,928	1,698,942
May 13	4,238,375	3,969,161	+ 6.8	3,356,921	1,435,731	1,704,426
May 20	4,245,678	3,992,250	+ 6.3	3,379,985	1,425,151	1,705,460
May 27	4,291,750	3,990,040	+ 7.6	3,322,651	1,381,452	1,615,085
June 3	4,144,490	3,925,893	+ 5.6	3,372,374	1,435,471	1,689,925
June 10	4,264,600	4,040,376	+ 5.5	3,463,528	1,441,532	1,699,227
June 17	4,287,251	4,098,401	+ 4.6	3,433,711	1,440,541	1,702,501
June 24	4,325,417	4,120,038	+ 5.0	3,457,024	1,456,961	1,723,428
July 1	4,327,359	4,110,793	+ 5.3	3,424,188	1,341,730	1,592,075
July 8	3,940,854	3,919,398	+ 0.5	3,428,916	1,415,704	1,711,625
July 15		4,184,143		3,565,367	1,433,903	1,727,225
July 22		4,196,357		3,625,645	1,440,386	1,732,031
July 29		4,226,705		3,649,146	1,426,986	1,724,728

Public Health Service Bill Signed By FDR

Legislation broadening the scope of the United States Public Health Service was approved on July 3 by President Roosevelt who, in a statement issued at the same time, commended the Department for "its excellent record in protecting the health of the nation."

The act, said the Associated Press, authorizes Federal grants for research by non-Government institutions, larger appropriations to aid State public health work and establishment of a national tuberculosis program. It provides commissions for public health nurses.

The President's statement follows:

"The Public Health Service Act is an important step toward the goal of better national health. A constituent of the Federal Security Agency since 1939, the United States Public Health Service is one of the oldest Federal agencies—and one in which the people have great confidence because of its excellent record in protecting the health of the nation.

"The act signed today gives authority to make grants-in-aid for research to public or private institutions for investigations in any field related to the public health. It authorizes increased appropriations for grants to the States for general public health work.

"It strengthens the commissioned corps of the public health service for the enormous tasks of the war and the peace to come. Authority is granted to commission the nurses of the public health service, just as the nurses of the Army and Navy are commissioned.

"It provides for the establishment of a national tuberculosis program in the public health service. Since adequate public health facilities must be organized on a nation-wide scale, it is proper that the Federal Government should exercise responsibility of leadership and assistance to the states.

"In establishing a national program of war and post-war prevention, we will be making as sound an investment as any government can make; the dividends are payable in human life and health."

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on July 5 a summary for the week ended June 24 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended June 24, 1944

	Total for Week
Odd-Lot Sales by Dealers (Customers' purchases)	
Number of orders	28,043
Number of shares	834,026
Dollar value	$29,773,179
Odd-Lot Purchases by Dealers—(Customers' sales)	
Number of Orders:	
Customers' short sales	209
*Customers' other sales	28,832
Customers' total sales	29,041
Number of Shares:	
Customers' short sales	6,604
*Customers' other sales	788,863
Customers' total sales	795,467
Dollar value	$25,539,282
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	30
†Other sales	202,980
Total sales	203,010
Round-Lot Purchases by Dealers:	
Number of shares	233,400

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders, and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Revenue Freight Car Loadings During Week Ended July 1, 1944 Increased 16,533 Cars

Loading of revenue freight for the week ended July 1, 1944 totaled 897,800 cars, the Association of American Railroads announced on July 7. This was an increase above the corresponding week of 1943 of 45,718 cars, or 5.4%, and an increase above the same week in 1942 of 144,060 cars or 19.1%, which latter period included the July 4 holiday.

Loading of revenue freight for the week of July 1, increased 16,533 cars, or 1.9% above the preceding week.

Miscellaneous freight loading totaled 397,633 cars, an increase of 8,405 cars above the preceding week, and an increase of 10,723 cars above the corresponding week in 1943.

Loading of merchandise less than carload lot freight totaled 106,831 cars, an increase of 2,989 cars above the preceding week, and an increase of 6,235 cars above the corresponding week in 1943.

Coal loading amounted to 175,440 cars, a decrease of 89 cars below the preceding week, but an increase of 30,262 cars above the corresponding week in 1943.

Grain and grain products loading totaled 58,600 cars, an increase of 5,267 cars above the preceding week but a decrease of 1,879 cars below the corresponding week in 1943. In the Western Districts alone, grain and grain products loading for the week of July 1, totaled 42,434 cars, an increase of 4,688 cars above the preceding week but a decrease of 3,950 cars below the corresponding week in 1943.

Live stock loading amounted to 13,950 cars, a decrease of 620 cars below the preceding week, but an increase of 2,193 cars above the corresponding week in 1943. In the Western Districts alone loading of live stock for the week of July 1, totaled 9,663 cars, a decrease of 647 cars below the preceding week, but an increase of 1,463 cars above the corresponding week in 1943.

Forest products loading totaled 50,044 cars, an increase of 2,403 cars above the preceding week and an increase of 5,430 cars above the corresponding week in 1943.

Ore loading amounted to 80,971 cars, a decrease of 1,117 cars below the preceding week and a decrease of 8,721 cars below the corresponding week in 1943.

Coke loading amounted to 14,331 cars, a decrease of 705 cars below the preceding week, but an increase of 1,475 cars above the corresponding week in 1943.

All districts reported increases compared with the corresponding week in 1943, except the Pocahontas and Northwestern. All districts reported increases compared with 1942.

	1944	1943	1942
5 Weeks of January	3,796,477	3,531,811	3,858,479
4 weeks of February	3,159,492	3,055,725	3,122,942
4 weeks of March	3,135,155	3,073,445	3,174,781
5 weeks of April	4,068,625	3,924,981	4,209,907
4 weeks of May	3,446,252	3,363,195	3,311,637
Week of June 3	810,772	667,609	854,689
Week of June 10	874,193	854,486	832,635
Week of June 17	879,161	868,286	844,913
Week of June 24	881,267	760,930	853,418
Week of July 1	897,800	852,082	753,740
Total	21,949,194	20,952,550	21,817,141

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended July 1, 1944. During the period 81 roads showed increases when compared with the corresponding week a year ago when the coal miners were on strike.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED JULY 1

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1944	1943	1942	1944	1943
Eastern District—					
Ann Arbor	242	253	345	1,396	1,371
Bangor & Aroostook	1,083	969	867	528	173
Boston & Maine	6,985	6,744	5,610	14,084	14,161
Chicago, Indianapolis & Louisville	1,315	1,271	1,320	2,456	1,850
Central Indiana	21	39	27	44	41
Central Vermont	1,034	1,103	865	2,322	2,479
Delaware & Hudson	6,151	5,932	5,269	12,804	11,619
Delaware, Lackawanna & Western	8,021	7,470	6,622	11,158	10,784
Detroit & Mackinac	266	226	231	122	106
Detroit, Toledo & Ironton	1,757	1,942	1,359	1,248	1,275
Detroit & Toledo Shore Line	283	325	255	2,445	2,374
Erie	13,973	12,804	11,280	17,452	17,721
Grand Trunk Western	3,969	3,878	3,953	7,721	7,629
Lehigh & Hudson River	213	200	186	2,868	2,002
Lehigh & New England	2,068	804	1,784	1,623	1,207
Lehigh Valley	8,680	6,931	7,282	15,937	14,693
Maine Central	2,233	2,454	2,114	2,927	2,285
Monongahela	6,015	5,456	5,208	394	351
Montour	2,538	2,130	1,900	26	131
New York Central Lines	50,508	56,792	44,033	54,672	46,799
N. Y., N. H. & Hartford	9,551	9,885	8,660	18,986	16,724
New York, Ontario & Western	1,335	1,328	834	3,494	2,095
New York, Chicago & St. Louis	6,697	6,569	6,445	16,626	15,317
N. Y., Susquehanna & Western	483	595	315	2,158	1,585
Pittsburgh & Lake Erie	8,151	7,421	7,117	8,605	8,167
Pere Marquette	5,185	4,728	4,783	7,844	7,443
Pittsburg & Shawmut	966	922	562	37	21
Pittsburg, Shawmut & North	361	400	312	239	316
Pittsburgh & West Virginia	1,435	1,135	782	3,047	3,669
Rutland	416	358	353	1,169	863
Wabash	6,068	5,577	4,735	13,330	13,489
Wheeling & Lake Erie	6,044	6,254	5,744	4,266	4,881
Total	164,047	162,895	141,152	232,028	213,621
Allegheny District—					
Akron, Canton & Youngstown	731	759	674	1,298	960
Baltimore & Ohio	48,164	41,713	33,759	29,463	29,424
Bessemer & Lake Erie	6,284	6,286	6,592	2,261	1,557
Buffalo Creek & Gauley	334	282	230	3	4
Cambria & Indiana	1,564	57	1,516	7	7
Central R. R. of New Jersey	7,094	6,691	5,981	20,459	19,850
Cornwall	513	660	659	43	32
Cumberland & Pennsylvania	222	267	215	5	9
Ligonier Valley	157	199	112	27	45
Long Island	1,425	1,178	601	3,484	3,470
Penn-Reading Seashore Lines	1,780	1,715	1,426	2,343	2,619
Pennsylvania System	93,105	79,239	76,978	68,962	63,611
Reading Co.	15,220	11,565	12,093	28,103	25,068
Union (Pittsburgh)	19,575	16,351	21,110	6,923	7,581
Western Maryland	4,188	3,974	3,152	12,326	12,121
Total	200,356	170,936	165,698	175,712	166,358
Pocahontas District—					
Chesapeake & Ohio	27,684	28,935	19,304	14,092	12,126
Norfolk & Western	21,664	21,965	14,459	8,893	7,474
Virginian	4,136	4,738	2,669	2,307	2,011
Total	53,484	55,638	36,432	25,292	21,611

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1944	1943	1942	1944	1943
Southern District—					
Alabama, Tennessee & Northern	366	303	455	374	251
Atl. & W. P.—W. R. R. of Ala	790	584	620	2,538	2,817
Atlanta, Birmingham & Coast	882	695	881	1,361	1,089
Atlantic Coast Line	11,311	12,179	10,648	9,515	9,669
Central of Georgia	3,866	3,966	4,671	5,746	4,630
Charleston & Western Carolina	515	373	453	1,800	1,634
Clinchfield	1,828	1,620	1,529	2,887	2,551
Columbus & Greenville	222	322	367	374	121
Durham & Southern	156	105	126	654	338
Florida East Coast	818	1,374	912	1,555	1,800
Gainesville Midland	56	36	40	115	76
Georgia	1,080	981	1,355	2,688	3,375
Georgia & Florida	456	508	467	591	519
Gulf, Mobile & Ohio	4,376	3,986	3,935	4,120	4,178
Illinois Central System	29,360	26,121	23,719	16,204	18,892
Louisville & Nashville	25,562	23,131	19,791	12,272	11,463
Macon, Dublin & Savannah	161	172	184	1,022	733
Mississippi Central	261	225	190	500	374
Nashville, Chattanooga & St. L.	3,385	3,071	3,241	4,708	5,201
Norfolk Southern	1,770	2,314	1,520	1,774	1,148
Piedmont Northern	401	399	333	1,070	1,070
Richmond, Fred. & Potomac	509	361	474	9,919	11,078
Seaboard Air Line	9,392	9,950	10,373	8,785	7,341
Southern System	24,246	20,378	21,659	24,088	22,457
Tennessee Central	712	1,134	565	879	935
Winston-Salem Southbound	118	104	87	956	704
Total	122,599	114,392	108,595	116,495	114,450
Northwestern District—					
Chicago & North Western	18,878	21,788	19,801	13,550	12,903
Chicago Great Western	2,329	2,404	2,193	3,608	3,105
Chicago, Milw., St. P. & Pac.	21,191	21,727	16,446	10,592	11,753
Chicago, St. Paul, Minn. & Omaha	3,256	3,789	3,263	3,825	3,638
Duluth, Missabe & Iron Range	27,604	28,762	29,907	288	342
Duluth, South Shore & Atlantic	1,068	1,138	835	552	620
Elgin, Joliet & Eastern	9,068	9,043	9,132	10,938	9,193
Ft. Dodge, Des Moines & South	461	449	434	110	83
Great Northern	23,333	25,952	22,525	7,149	5,967
Green Bay & Western	479	420	430	968	868
Lake Superior & Ishpeming	3,195	3,470	1,630	54	35
Minneapolis & St. Louis	2,581	1,910	1,653	2,573	2,513
Minn., St. Paul & S. S. M.	6,919	7,828	6,385	3,084	2,930
Northern Pacific	11,218	11,111	8,658	6,488	5,520
Spokane International	154	121	144	754	571
Spokane, Portland & Seattle	2,932	2,832	2,003	3,403	3,750
Total	134,666	142,744	125,439	67,936	63,793
Central Western District—					
Atch., Top. & Santa Fe System	33,006	26,743	25,749	13,035	11,915
Alton	3,695	3,270	2,881	3,986	4,036
Bingham & Garfield	466	559	712	65	78
Chicago, Burlington & Quincy	18,671	19,583	13,925	12,250	11,223
Chicago & Illinois Midland	3,206	2,566	2,552	925	784
Chicago, Rock Island & Pacific	14,627	13,376	11,459	13,827	13,338
Chicago & Eastern Illinois	2,775	2,462	2,144	6,603	5,996
Colorado & Southern	543	719	687	2,383	1,711
Denver & Rio Grande Western	3,700	3,813	2,598	5,849	6,204
Denver & Salt Lake	764	680	435	18	19
Fort Worth & Denver City	1,607	1,340	1,499	1,532	2,362
Illinois Terminal	2,588	2,227	1,660	1,652	2,315
Missouri-Illinois	1,147	1,040	1,086	640	415
Nevada Northern	1,852	2,040	2,006	105	64
North Western Pacific	903	985	968	838	671
Peoria & Pekin Union	3	15	8	0	[illegible]
Southern Pacific (Pacific)	36,147	32,299	28,825	13,707	14,473
Toledo, Peoria & Western	297	202	275	2,094	1,875
Union Pacific System	16,327	14,883	12,866	18,610	17,134
Utah	511	489	458	11	3
Western Pacific	2,217	2,224	1,619	4,092	3,915
Total	145,058	131,515	114,412	102,222	98,577
Southwestern District—					
Burlington-Rock Island	561	835	229	360	248
Gulf Coast Lines	5,592	5,083	4,154	2,627	2,486
International-Great Northern	2,834	2,138	2,350	4,045	2,896
Kansas, Oklahoma & Gulf	268	246	320	1,111	957
Kansas City Southern	6,097	5,619	4,661	2,643	2,895
Louisiana & Arkansas	3,928	3,766	4,273	2,778	2,980
Litchfield & Madison	266	363	231	1,046	1,288
Midland Valley	750	505	588	449	317
Missouri & Arkansas	178	148	124	525	311
Missouri-Kansas-Texas Lines	7,266	5,842	4,340	5,677	5,950
Missouri Pacific	18,616	19,241	14,596	19,533	17,900
Quanah Acme & Pacific	119	192	124	368	247
St. Louis-San Francisco	10,344	8,433	8,321	9,049	9,521
St. Louis Southwestern	3,287	2,814	2,752	7,249	7,824
Texas & New Orleans	12,225	13,594	10,412	5,717	5,490
Texas & Pacific	5,120	5,044	4,365	8,927	6,930
Weatherford M. W. & N. W.	113	83	143	26	28
Wichita Falls & Southern	26	16	29	34	21
Total	77,590	73,962	62,012	72,164	68,289

Note—Previous year's figures revised.

Weekly Statistics Of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1944—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
March 4	178,375	146,926	650,606	95	94
March 11	152,627	144,761	655,682	95	94
March 18	136,105	150,940	639,537	95	94
March 25	125,806	147,604	613,978	97	94
April 1	138,724	141,959	607,537	93	94
April 8	179,056	144,422	635,727	94	94
April 15	145,936	143,883	636,176	92	94
April 22	138,712	158,871	610,555	98	94
April 29	147,768	156,041	601,880	98	95
May 6	186,666	158,534	628,495	98	95
May 13	144,921	150,435	620,728	95	95
May 20	140,287	157,370	602,062	97	95
May 27	138,501	155,105	582,090	96	95
June 3	170,421	152,461	599,322	93	95
June 10	144,384	157,794	584,083	96	95
June 17	147,689	154,137	577,721	95	95
June 24	130,510	156,338	549,830	96	95
July 1	152,954	155,170	544,454	95	95

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Announce Conversion Of Argentine Bonds

The Ministry of Finance of the Argentine Government announces the conversion of the following bonds: Credito Argentino Interno 4%, 1936 and 1938, and repatriation of the external 4% debt 1937 for new bonds at 3½% interest which are not exempt from income tax, termed: "Credito Argentine Interno Conversion Loan 3½% of 1944-1987." For the exchange the Government offers for each 100 pesos bonds of 4% national issue, 109.30 pesos of new values plus a premuim of 0.50 centavos moneda nacional. The advises in the matter also state:

"The municipality of Buenos Aires will carry out simultaneously a similar operation retiring the issues of 4½% interest, 1936 series "A," regulation No. 7283; 1937 series "E," regulation No. 7288; 1938 series "F," regulation No. 7288; repatriation of the external debt 1937, regulation No. 8175 and the loan "Avenida Norte a Sud," law 8855.

"The municipality offers in its place a new issue of 4% interest not exempt from income tax termed: "Municipalidad de la Ciudad de Buenos Aires" 4% conversion loan of 1944. For the exchange the municipality offers for each 100 pesos bonds of 4½ issue, 105.95 pesos of new values plus a premium of 0.50 centavos moneda nacional. The holders of the issues who request the redemption within the specified time will be able to obtain at any moment 0.70 after July 14, 1944, the reimbursement in cash plus interest until July 13, inclusive. After the period of conversion has transpired without any demand for the exchange or reimbursement in cash, it will be considered that the new issues which are offered, without benefit of the premium of exchange.

"At the same time the Government offers for public subscription a 100,000.00 peso loan at 3½%, 1944, due 1987, at the price of 91.50 pesos, moneda nacional."

Miss Erste Returns To Post

In our issue of June 22, page 2590, reference was made to an announcement from the Federal Reserve Bank of Cleveland that the bank had granted a leave of absence to Miss Anne J. Erste, alternate assistant Federal Reserve agent, who had joined the staff of the Foreign Economic Administration. Miss Erste, it was added, after a month's training in Washington, would engage in confidential war work with the FEA, with headquarters in Cairo, Egypt. We have since been advised (June 30), that, due to the illness of her mother, Miss Erste has returned to her position at the Reserve Bank.

Lumber Movement—Week Ended July 1, 1944

According to the National Lumber Manufacturers Association, lumber shipments of 481 mills reporting to the National Lumber Trade Barometer were 5.8% above production for the week ended July 1, 1944. In the same week new orders of these mills were 2.9% above production. Unfilled order files of the reporting mills amounted to 120.9% of stocks. For reporting softwood mills, unfilled orders are equivalent to 41 days' production at the current rate, and gross stocks are equivalent to 32 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 6.1%; orders by 9.5%.

Compared to the average corresponding week of 1935-39, production of reporting mills was 34.3% greater; shipments were 34.6% greater; and orders were 38.9% greater.

Items About Banks, Trust Companies

(Continued from page 204)

an Assistant Vice-President in 1928, and a Vice-President in 1934.

The Federation Bank and Trust Company of New York reported as of June 30, 1944, deposits of $23,951,102 and total resources of $26,961,730, against $22,639,039 and $25,506,832, respectively, as of March 31, 1944. Cash on hand and due from banks amounted to $5,134,176, against $2,502,880. Holdings of United States Government securities totaled $12,161,002, against $13,659,915. Loans and discounts were $8,293,175, against $7,978,143. Capital and surplus were unchanged at $825,000 and $1,175,000, respectively, and undivided profits were $373,888, against $340,195.

Deposits of the Clinton Trust Company of New York increased to $18,607,541 on June 30 from $14,498,202 on the corresponding date a year ago and $16,979,875 on March 31 last. Total assets rose to $19,740,642 as compared with $15,658,950 on June 30, 1943, and $18,161,884 at the close of the first quarter this year. Surplus and undivided profits on June 30 were reported at $482,475. A year ago they were $457,444 and on March 31, 1944, amounted to $472,563. Loans and discounts of $3,269,845 were reported as of June 30, 1944, compared with $2,792,818 on June 30, 1943, and $3,008,258 on March 31 last. United States Government and municipal bonds now total $9,302,208; a year ago the total was $6,770,882 for Federal, state and municipal securities, and at the close of the first quarter of 1944 holdings of U. S. Government and municipal bonds were $9,092,383. Cash on hand and due from banks on June 30 were $4,631,677 as compared with $3,833,724 on June 30, 1943, and $3,638,708 on March 31 of this year.

Plans for a special meeting of the stockholders of the Clinton Trust on July 18 to act on a proposal to increase the capital from $600,000 to $700,000 were referred to in our issue of July 6, page 112.

The statement of condition of Brooklyn Trust Company of Brooklyn, N. Y., as of June 30, showed deposits of $219,137,078, the highest total ever reported by the company, which compares with $193,401,258 on March 31 last, and $180,869,131 a year ago. The previous peak total deposits on a statement date was $196,169,319 on Sept. 30, 1943, and the previous high mark for any date was $212,000,000 on Oct. 15, 1943. The statement disclosed an increase of $150,000 in surplus since the preceding statement on March 31, the figure being $4,900,000 against $4,750,000 three months before.

Cash on hand and due from banks, including the Federal Reserve Bank of New York, was $49,396,340 against $38,072,764 on March 31 last. Holdings of United States Government securities were $139,414,054, against $127,229,752, while loans and bills purchased aggregated $32,481,513 against $28,892,719. Undivided profits are now $1,463,156 against $1,454,784 on March 31, while capital is unchanged at $8,200,000. Total resources are $235,373,496, also a new high record, against $209,393,083 three months before.

Lafayette National Bank of Brooklyn in New York as of June 30, 1944, reports total resources of $25,492,228, an increase of $2,891,492 for 6 months' period from Dec. 31, 1943; deposits of $23,977,075, as against $21,119,344, an increase of $2,857,731. Surplus, undivided profits and reserves are reported as $742,045, as against $691,726, an increase of $50,319.

Adolph I. Salzman, Assistant Vice-President of the Lafayette National Bank of Brooklyn, N.Y., with which he had been associated for the last eight years, and a former President of the Brooklyn Kiwanis Club, died on June 28. The Brooklyn "Daily Eagle" reporting this, also said:

"A native of this borough, Mr. Salzman attended the public schools here, and early in life he went to work for a corrugated box firm in the city. Before transferring to the Lafayette National Bank in 1937 he was assistant cashier of the National Exchange Bank & Trust Co.

Addison Keim has been elected President of the Albany Exchange Savings Bank, of Albany, N. Y., succeeding the late Martin Nachtman.

The formal announcement, said the Albany "Times-Union" of June 30, was made at a dinner which was attended by trustees of the savings bank and directors of the First Trust Co. of which Mr. Keim has been president for the last three years. He has also been a trustee of the Exchange Bank since 1937, and a member of the Executive Committee since 1942. The "Times-Union" also states that prior to his three years service as President of the First Trust he had served as Executive Vice-President. His connection with the First Trust Company and its predecessor the First National Bank dates back 37 years. It is added that the announcement of Mr. Keim's new connection said he will continue as a director of the First Trust Company and as a member of its Executive Committee.

The current statement of The County Trust Company of White Plains, N. Y., shows the highest deposits in the history of the institution with $36,421,626, as compared with $29,057,054 a year ago. Total loans amount to $8,159,012 as of July 1, 1944, an increase of $854,794 during the year. The current statement shows total assets of $38,924,589, compared with $31,231,208 on July 1, 1943. According to a statement by Andrew Wilson, Jr., President of the bank, the increase in deposits is partly accounted for by the recent consolidation with the First National Bank of Pleasantville and to some extent by the increase in the Government War Loan account, but in addition to these factors, the institution has enjoyed a healthy increase in deposits in all of its offices during the year. Mr. Wilson reported that $20,741 had been added to undivided profits during the past quarter and the statement now shows capital funds of $2,191,535.

A regular quarterly dividend of 37½ cents a share was mailed to depositors on June 30.

Frank D. Abell, President of First National Bank of Morristown, N. J., is slated to become President and chief executive officer of the combined First National Bank and National Iron Bank when shareholders meet July 27 to vote the merger, it is learned from Morristown advices to the "Newark News" of June 27, which further reported: "This was announced today when recommendations by a joint committee from the two institutions were made public after their approval by the boards of directors of the banks.

"The joint committee also recommended that Elmer King, present Chairman of the Board of the National Iron Bank, become Chairman of the board of directors of the combined banks and Hurlbut B. Cutting, also of the National Iron Bank, become Vice-Chairman. George A. Easley, President of the National Iron, and William E. Eppler, also of that bank, would be Chairman and Vice-Chairman, respectively, of a seven-member executive committee.

"Other officers of the combined banks would be: Executive Vice-President, Alfred J. Mackin; Vice-President and Trust Officer, Kenneth W. Thompson; Cashier, Edward C. Scott, and Trust Officer, Miss Gladys L. Stuart.

"The board of directors of the new institution, to be known as the First National Iron Bank of Morristown, will have 15 members. They are: Abell, Calvin A. Agar, H. Clifford Brown, Marcus A. Curry, Cutting, Easley, Eppler, King, Allan P. Kirby, Mackin, Clarence Mark, Winter Mead, Thomas W. Streeter, Harold H. Van Natta and Albert N. Williams.

"Mr. Abell is President of the New Jersey Bankers Association, having been elected May 13. He is a former State Senator and a former director of the Morris County Board of Freeholders and has been active in banking circles and in public life in Morristown more than 40 years."

The Integrity Trust Company of Philadelphia has made known that John L. Nelson, President of the Standard Plating Works, Inc., has been elected to the Board of Directors of the bank. The Philadelphia "Evening Bulletin" of June 30 in reporting this also said:

Benjamin F. Sawin has been appointed a Vice-President of the Provident Trust Company, it has been announced. He will assume his new duties in connection with commercial credits to corporations and correspondent accounts tomorrow.

Lewis E. Huseman has been elected President of the First National Bank at Wilkinsburg, Pa., succeeding Lynedon P. Noble, who after serving in the Presidency of the bank for 10 years, has resigned. The Pittsburgh "Post Gazette" also added that Mr. Huseman has been with the bank since 1933; he advances from the post of Vice-President and Cashier.

The following changes also were effective on July 1: A. D. Harrison has been elected Vice-President, C. G. McKee, heretofore Asst. Cashier, has been made Assistant to the President, and Karl Hewitt, also previously Assistant Cashier, has become Cashier.

According to the Cleveland "Plain Dealer" the directors of the Cleveland Trust Co. of Cleveland, Ohio, on June 26 promoted Willard W. Wilson from Trust Officer to Vice-President and advanced William E. Squire, from Assistant Manager of the Estates Tax Department, to Assistant Trust Officer. Mr. Wilson has been with the bank since 1932. Mr. Squire joined the bank in 1928, and was chief counsel of the American Institute of Banking.

The Fifth Third Union Trust Co. of Cincinnati, Ohio, has released its statement of condition as of June 30, 1944, showing total deposits at $230,903,139 and total assets of $244,732,244. The principal items comprising the resources in the last report are: Cash and due from banks, $69,827,774; United States Bonds (Direct and Guaranteed), $94,177,855; other bonds and securities stood at $12,820,088, while loans and discounts were $62,039,159. The capital and surplus are $6,000,000 and $5,500,000, respectively, and the undivided profits are shown as $1,229,306.

President J. K. Thompson of the Union Bank of Commerce of Cleveland reported that net profit after transfers to reserves for six months ended June 30, 1944, amounted to $6.09 a share on the 35,300 outstanding shares of capital stock. In the corresponding period last year, net profit was equal to $4.13 a share.

Directors of the Union Bank of Commerce, Cleveland, on July 3 declared a dividend of $3 a share on capital stock, payable July 25 to stockholders of record at the close of business July 15. The same amount was paid on Jan. 15, 1944, and July 20, 1943.

The Harris Trust and Savings Bank, Chicago, in its statement of condition as of June 30, 1944, reports total deposits of $479,939,928 and total assets of $510,183,784, comparing, respectively, with $447,286,229 and $476,111,484 on Dec. 31, 1943. The chief items comprising the resources in the current statement are: Cash on hand and due from banks, $110,650,197 (against $109,117,270); loans and discounts, $104,233,352 (compared with $105,572,144); United States Government securities, $107,617,091 (against $193,500,629); State and municipal securities, $33,560,180 (compared with $28,905,765), and other bonds and securities, $36,324,096 (against $36,786,897). During the year the bank's capital and surplus remained unchanged at $6,000,000 and $12,000,000, undivided profits stood at $2,744,136 on June 30, 1944, as against $2,277,408 at the end of 1943.

The Chicago "Journal of Commerce" reported on July 1 that the doubling of the dividend rate on stock of the National Bank of Hyde Park, Chicago, and the transfer of $50,000 from undivided profits to the surplus account, bringing the latter to $175,000, was announced on June 30. The advices added:

"Directors of the bank authorized payment of a dividend of 50 cents a share for the six months ending June 30, against a previous rate of 50 cents per year. It is planned to pay dividends on a quarterly basis, the directors announced."

Otto G. Wismer, President of the Bankers Trust Co. of Detroit, has announced that Howard H. Servis has been elected a director of the trust company. The Detroit "Free Press" reports that Mr. Servis, a prominent Detroit broker and for the past 28 years a member of the board of S. S. Kresge Co., recently retired from that firm where he held the post of Vice-President in charge of real estate.

The Board of Governors of the Federal Reserve System announce that the Wayne County Bank of Ecorse, Mich., a State member, has changed its title to the Ecorse-Lincoln Park Bank, effective June 13.

It is learned from the weekly bulletin of the Board of Governors of the Federal Reserve System that the Merchants Bank of Winona, at Winona, Minn., a State member bank, has converted into a national bank under the title of the Merchants National Bank of Winona. The change went into effect July 1.

G. W. LaLone, President of the Produce State Bank of Minneapolis, Minn., announced on July 1 following a meeting of the directors that Earl P. Fredell had been elected Assistant Cashier. Mr. Fredell started as a messenger in 1931, when he entered the employ of the bank, and has advanced by progressive steps to his new post.

The statement of condition of the Mercantile-Commerce Bank & Trust Co. of St. Louis, Mo., on June 30, shows total deposits and total resources stood at $292,299,183 and $313,634,475, respectively. Cash and due from banks, $67,682,500; United States Government obligations (incl. $70,513,839 pledged) are shown as $166,599,910; other bonds and securities are given as $23,158,824. The capital and surplus are $10,000,000 and $4,000,000, respectively, while the undivided profits stand at $4,563,947.

A syndicate, headed by Dean Witter & Co. and including Blyth & Co., Inc., and Wesley Hall & Co., is offering 42,117 shares of the First National Trust & Savings Bank of San Diego, Cal., common stock at $26.50 per share. The bank will not receive any proceeds from the sale as the shares are already issued and outstanding. The First National Trust and Savings Bank of San Diego was chartered under the National Bank Act in 1883 and is the city's largest local bank.

The statement of condition of Bank of America National Trust and Savings Association of San Francisco as of June 30, 1944, reflects substantial gains made during the half year in all departments of operation, and a marked increase in capital funds, which now total $171,776,000, a net increase of $10,251,000 over a year ago, and $5,391,000 since Dec. 31, 1943. Total resources were $3,975,493,000, a gain of $847,856,000 over a year ago and $277,581,000 over Dec. 31, 1943. Deposits totaled $3,767,443,000, an increase of $830,177,000 over a year ago and $269,290,000 since Dec. 31. Loans and discounts outstanding aggregated $857,395,000, an increase of $79,743,000 over a year ago and $46,735,000 during the half year. Total securities amounted to $2,323,546,000, or $616,115,000 more than a year ago and an increase of $228,114,000 since Dec. 31. This increase was largely in United States Government securities, which at June 30, 1944, totaled $2,040,595,000.

Earnings for the half year are reported at $15,595,000.

The advices from the bank further stated:

"From this total $3,158,000 was reserved for amortization of bond premiums, $627,000 for depreciation of bank premises and $795,000 was set up in reserves and applied to the absorption of losses and the revaluation of assets. After payment of $5,204,000 in dividends at the annual rate of $2.40 per share on the common stock and $2 per share on the preferred stock, and after profit sharing bonus to employees, capital funds were increased from earnings for the six months by $5,434,000. This, with the dividend, is equal to an annual rate of approximately $5.12 per share on the common stock."

President L. M. Giannini stated that the reserve for war contingencies, etc., a capital account in the amount of $13,919,000, created several years ago and subsequently added to from earnings, has been returned to the undivided profits account since the funds are not earmarked for any risks now foreseeable. Undivided profits now total $31,306,000. An expense reserve in the amount of $3,400,000, which is not included in capital funds, has been provided from the earnings of this period.

At the date of the June 30 call for statement of condition the United States National Bank of Portland, Ore., reported deposits reaching an all-time high of $428,139,114 and resources of $446,541,331. Gains of $99,567,490 and $104,274,336, respectively, were recorded over the corresponding date of call in 1943.

Barclays Bank Limited of London reports total resources as of June 30, 1944, of £879,569,535, an all time high record, according to advices received by cablegram by the New York representatives of the bank. This figure, it is announced, represents an increase of over £100,000,000 since June 30, 1943, and of £14,000,000 since Dec. 31, 1943. Deposits are now at a record total of £836,831,238. Bills discounted amount to £45,204,717 and advances are shown at £167,604,334. Dividends have been declared for the first half year at the rates of 10% per annum on the "A" stock and 14% per annum on the "B" and "C" stock, which rates are the same as those paid for many years past.